Cheltenham Borough Council

Cabinet – 15th February 2022

Council – 21st February 2022

Housing Revenue Account - Revised Forecast 2021/22 and Budget Proposals 2022/23

Accountable member	**Cabinet Member for Finance, Councillor Peter Jeffries**
Accountable officer	**Executive Director Finance and Assets (Section 151 Officer), Paul Jones**
Ward(s) affected	**All**
Key Decision	**Yes**
Executive summary	This report summarises the Housing Revenue Account (HRA) revised forecast for 2021/22 and the Cabinet's budget proposals for 2022/23. These budget proposals have been designed to support the economic recovery of Cheltenham and improve the quality of life for our tenants and communities. Our approach to housing services, in partnership with Cheltenham Borough Homes (CBH) and in line with the Social Housing White Paper, is to deliver these through genuine engagement with our tenants. The pandemic has had and continues to have a very significant impact on individuals and communities. Whilst the economy is recovering and unemployment falling, uncertainty over the future and financial challenges remain. The Cabinet's response is to continue the Council's significant investment in homes and services for the benefit of customers and communities. We have ambitious plans for housing over the medium to long-term including improving existing homes, supplying much needed new homes and aspiring to make Cheltenham a net zero carbon council and borough by 2030. A 'fabric-first' approach is being taken by CBH on existing homes by improving insulation before low carbon heating technology is installed. The Council and CBH have already been successful in a bid to the Government's Social Housing Decarbonisation Fund for a deep retrofit pilot scheme with a further bid to Government for 50-60 homes in 2022/23 awaiting decision and plans to increase the pace of delivery in future years. In addition, a significant proportion of the new homes within these budget plans will be built as net zero carbon buildings on sites controlled by the Council such as 320 Swindon Road which recently gained planning permission. Low carbon, energy efficient, high-quality homes will be warmer and cost less to run and improve the health and wellbeing of our communities.

	Budget projections for the next 3 years include £67m for additional affordable homes as part of the Council's £180m housing investment programme in partnership with CBH. The pipeline is set to deliver 450 additional homes over 5 years based on the current pipeline of schemes. The 2022/23 capital programme includes proposals to invest over £10m in existing homes and then to continue at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live. Investing appropriately in core landlord services and community services remains a key priority whilst ensuring operating costs are being controlled to deliver value for money. These services continue to be delivered collaboratively with other partners to increase the scope and impact for customers and communities. The budget proposals for 2022/23, including the focus on sustainable, green investment, ensure the Council and CBH will continue to be able to support tenants and communities to thrive, help improve outcomes for young people, reduce inequality and support the economic recovery of Cheltenham through this challenging period.
Recommendations	**1. Note the revised HRA forecast for 2021/22.** **2. Approve the HRA budget proposals for 2022/23 (shown at Appendix 2) including a proposed rent increase of 4.1% and changes to other rents and charges as detailed within the report.** **3. Approve the proposed HRA capital programme for 2022/23 as shown at Appendix 3 and Appendix 4.**

Financial implications	As contained in the report and appendices. **Contact officer: Paul Jones.** **E-mail: *paul.jones@cheltenham.gov.uk*** **Tel no: 01242 264365**
Legal implications	By approving the budgets for repairs and maintenance and the capital programme, Cabinet is making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions. **Contact: One Legal** **E-mail: *legal.services@onelegal.org.uk*** **Tel no: 01684 272017**
HR implications (including learning and organisational development)	There are no direct HR implications for Cheltenham Borough Council arising from the report **Contact officer: Julie McCarthy** **E-mail: *julie.mccarthy@publicagroup.uk*** **Tel no: 01242 264355**
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings and moving towards a net zero carbon housing portfolio by 2030.

1. Background

1.1 The following amendments have been made to the interim budget proposals approved by Cabinet on 21st December 2021: -

- The capital forecast for 2021/22 has been updated to reflect latest information as at 31st December 2021 with expenditure on some schemes being delayed into 2022/23.

- Allocated budget to support the completion of the development agreement for the affordable homes element on the Golden Valley Development (£150,000) and expansion of the Council's Housing First initiative from 6 homes to 12 homes over three years with expected match grant funding (£26,000).

2. Current Operating Environment

2.1 The pandemic has had a significant effect on the Council and many sectors of the economy including housing and construction. The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Unemployment is expected to continue to decline. Inflation is expected to keep increasing due to higher energy and commodity prices and continuing supply shortages before reducing later in 2022.

2.2 The construction and housing industry continues to face a number of challenges as the economy recovers putting pressure on the availability and price of materials and skilled labour. The impact on the HRA is reflected in higher levels of demand from tenants, increasing costs and needing to reschedule planned programmes for repairs and maintenance activities and the development of new homes. The impact is also being felt by tenants individually leading to greater support needs as Cheltenham communities recover from the pandemic.

2.3 ***Social Housing White Paper***

2.3.1 The Social Housing White Paper seeks to provide transformational change, establishing a new Charter for social housing residents. The new Tenants Charter sets out what every social housing resident should be able to expect through seven key commitments. Cheltenham has always had a tradition of putting customers first, treating them well and making a positive difference to residents' lives. This focus on the customer, the continual drive to provide safe and secure homes and create strong and supportive neighbourhoods, as reflected in the investment plans proposed in this report, echo what the Social Housing White Paper sets out to achieve.

2.3.2 Details on the implementation of the Tenants Charter, consultation and related timescales will become evident from Government in due course. Proactive and positive work is already well underway in partnership with Cheltenham Borough Homes (CBH) on responding to the challenges in the Paper, changes in safety regulations, having mechanisms for tenants to shape and scrutinise services and being transparent on compliance and performance of housing services.

2.3.3 The budget proposals for 2022/23 include the transition of electrical safety checks for homes from every 10 years to every 5 years, developing a new tenant engagement strategy comprising the overarching messages from the Paper, consulting with tenants around home and building safety and reporting on tenant satisfaction measures and landlord performance measures.

2.4 ***Universal Credit (UC)***

2.4.1 The £20 Universal Credit (UC) uplift ended on the 6 October 2021 despite significant concerns being raised. Homelessness charity Crisis warned that it would place 100,000 renting households at risk of eviction (this is number of households in England on UC who were in 2 or more months of arrears during Nov-Dec 2020). To support those in work the UC "taper" has been cut from 63% to 55%, so that instead of losing 63p of benefit for every £1 earned above the work allowance, the amount is reduced to 55p. Changes were also announced to the UC Work Allowance, which is the amount that people who are responsible for a child or have a limited capability for work, can claim before their UC payment is affected.

2.4.2 CBH's benefit and money advice team works closely with customers, usually in critical and/or vulnerable situations to provide advice about benefits available and financial help. The proposed budget will enable this team to continue to support tenants in claiming additional benefits and help them stay in their homes and improve their quality of life. The service also supports customers with advice on UC and works closely with other partners such as the DWP.

2.5 ***Government Policy***

2.5.1 Current Government rent policy is to permit rents to increase by a maximum of CPI (as at previous September) + 1% per annum for the next three years before a further review. The CPI for September 2021 was 3.1% thus allowing a maximum rent increase for 2022/23 of 4.1% which has been included in this budget.

2.5.2 From April 2022 the rate of Employers' National Insurance contributions will increase for one year in advance of a new health and social care levy. The amount will increase by 1.25% which has been factored into the budget proposals for 2022/23.

2.5.3 The Government has confirmed that Local Housing Allowance levels will be frozen for 2022/23 which could impact levels of affordable rent on current and future development schemes.

2.5.4 The Government has implemented changes to RTB policy in 2021 which supports the reinvestment of these receipts into the supply of additional social housing in Cheltenham. The deadline to use RTB receipts has been extended from three years to five years and these receipts can fund 40% of each new home instead of 30%. The use of RTB receipts continues to be closely monitored by CBH to ensure they are retained for reinvestment in Cheltenham.

2.6 ***Proposed Government Planning Reforms***

2.6.1 In Summer 2020 Government published the Planning White Paper 'Planning for the Future' which proposed to overhaul the current suite of planning policies, with the overarching aim of reinvigorating home ownership, supporting the Government's target to deliver 300,000 homes per annum and boost development's contribution to the economy and infrastructure as a response to COVID-19. The reforms were aimed at reducing bureaucracy and aligning with government's 'build, build, build' agenda. When Michael Gove was appointed as Secretary of State for Levelling Up, Housing and Communities in September 2021, he swiftly announced that the planning reforms would be put on hold, with no definitive timetable released. He has however since indicated that he sees planning reform as just one part of a much-bigger piece of work to review housing policy. The impacts of any changes will be reviewed when details are available.

3. Investing in Cheltenham

3.1 The Council's response to the current environment and recovery from the pandemic is to continue its significant investment in homes and services for the benefit of the people of Cheltenham. The Council has ambitious plans for housing over the medium to long-term including improving existing homes, supplying new homes and investing to make Cheltenham net zero carbon by 2030. Further detail on these investment plans is set out below.

3.2 *Making Cheltenham Net Zero Carbon by 2030*

3.2.1 The Council is working towards its challenging target of becoming a net zero carbon borough by 2030, and a key element of this is a programme of carbon reduction for existing HRA homes. The work to decarbonise existing homes is complex and challenging however it has more positive outcomes than simply cutting carbon emissions - energy efficient homes will be warmer and cost less to run and improve the health and wellbeing of our communities.

3.2.2 A 'fabric-first' approach is being taken with the existing homes managed by CBH which includes the Council housing stock of around 5,000 dwellings, many of which are heated by greenhouse gas emitting gas boilers, ensuring that the homes are as energy efficient as possible by improving the insulation before low carbon heating is reviewed and considered. The Council and CBH have already been successful in a bid to the Social Housing Decarbonisation Fund for a deep retrofit pilot scheme. This will demonstrate the potential to make our existing homes low carbon through fabric improvements and low carbon heating.

3.2.3 Further to this pilot scheme Government has made £160m of funding available through 'Wave 1' of the Social Housing Decarbonisation Fund (SHDF). In partnership with CBH the Council has bid for part of this funding which would enable up to two thirds of the total cost of an initial project aimed at 'fabric first' measures such as improved insulation to reduce energy demand for eligible homes and improve the homes to at least Standard Energy Procedure (SAP) C. The total budget covering this bid is approximately £1.26m and will cover improvements for 50 to 60 HRA homes. The grant needed to fund this project is estimated to be around £780k, with the HRA funding the remainder of around £480k.

3.2.4 Further grant bids, in partnership with other local authorities where beneficial, will be made as funding becomes available from Government. An estimate for works and funding under 'Wave 2' has been included in the projections for 2023/24 and 2024/25 to increase the pace of delivery of these retrofit works on existing homes.

3.2.5 In addition, the Council is investing in new net zero carbon homes. Planning has recently been granted at 320 Swindon Road for 24 highly energy efficient new homes with other schemes controlled by the Council coming forward for development in 2022/23 and beyond also meeting this aspiration and achieving a cleaner, greener sustainable environment.

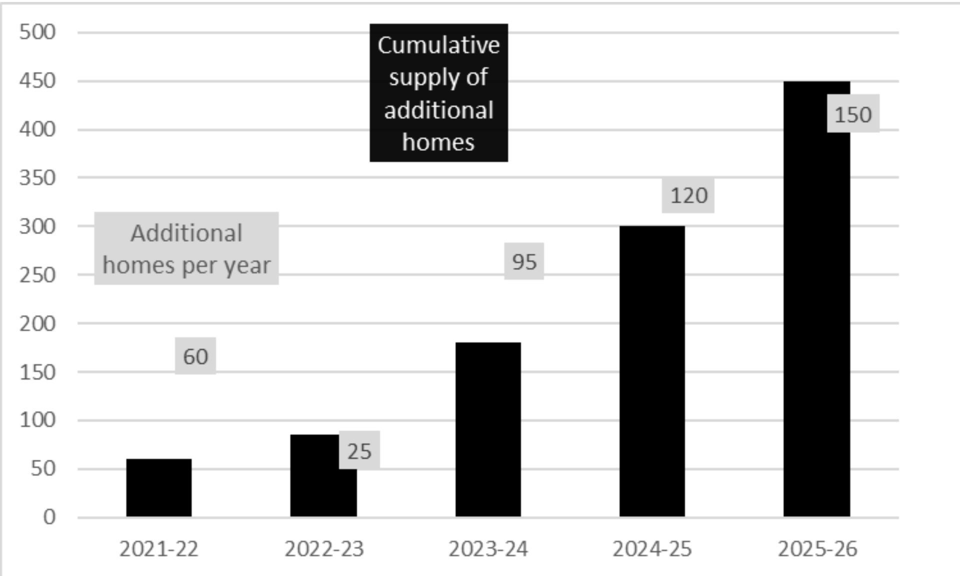
3.2.6 This investment is being managed by CBH and working in partnership the Council will seek to influence the energy sustainability standard of other developer led schemes which will deliver future homes for the HRA and support other green initiatives for the benefit of HRA tenants.

3.3 ***Investing in new affordable homes***

3.3.1 The Council continues to successfully deliver new affordable homes through its £180m housing investment programme in partnership with CBH. As part of this programme the Council has already spent approximately £34m and is allocating £17m for 2022/23 and projecting further investment of £50m over the following 2 years.

3.3.2 In the current year 60 additional affordable homes are expected to be delivered; 27 new homes already delivered and let on the Monkscroft Villas site, 10 new homes in Brockhampton and Prestbury Road and 20-25 newly acquired properties. These include a mix of apartments, 2 bed and 3 bed houses across multiple tenures.

3.3.3 The last 18 months has given the housing sector a number of challenges that have temporarily impacted bringing forward new sites for development. This will reduce the number of new homes that can be delivered next year however the step change in supply of new affordable homes after this will continue with a range of affordable tenures provided including social rent, affordable rent and shared ownership. The current pipeline is set to deliver 450 additional homes in the current and following 4 years, as shown below, with a number of other opportunities currently being explored and negotiated.



3.3.4 An element of the supply of new homes from 2024/25 onwards is the contribution from the Golden Valley development spearheaded by the Council. When combined with other opportunities such as 320 Swindon Road and the former Monkscroft Primary School site this could result in over 1,000 additional affordable homes being delivered by 2030.

3.4 ***Investing in existing homes***

Each year thousands of responsive repairs and planned works are carried out to ensure existing homes remain secure and safe places to live. The HRA's asset management strategy includes investment programmes to help bridge the quality gap between existing and new homes. These programmes of work maintain statutory compliance, increase energy performance and improve the quality of homes in ways that assist customers and contribute to their quality of life.

3.4.1 This programme of investment will continue in 2022/23 with £1.56m allocated to 'fabric first' and other energy sustainability measures, £1.7m for new windows, £1.8m for external works including roofs, chimneys and rainwater goods, £0.7m for new kitchens, bathrooms, showers and rewiring, and £0.6m for a new warden call system. In addition, £0.6m has been allocated for neighbourhood improvement works to deliver external scheme improvements in collaboration with customers.

3.4.2 Investment in compliance remains a high priority for the 2022/23 budget, ensuring new requirements are met and customers continue to feel safe in their homes. In accordance with changed regulations domestic property electrical tests now need to be completed every 5 years rather than 10 years meaning additional electrician and administration support has been included in the budget proposals to deliver this revised regulatory requirement.

3.4.3 For gas safety, performance remains strong and whilst 'out of date' figures increased due to the COVID-19 lockdowns this has been managed back to pre-lockdown performance (99.9% in date) and will be maintained in 2022/23. CBH take a robust approach to ensure access through legal means where this is necessary, whilst a more measured approach is taken when the situation demands this, for example working closely with other local agencies to support tenants who are resistant to volunteering access due to mental health issues.

3.4.4 All Fire Risk Assessments for communal areas will have been updated during the current year under more rigorous guidelines and the recommendations from these assessments will be included in the planned improvements programme starting in 2022/23.

3.4.5 In total the budget for 2022/23 proposes an investment of over £10m in existing homes and the projections are to continue to invest at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live.

3.5 ***Investing in communities***

3.5.1 CBH's community investment programmes focus on four strategic themes: health and wellbeing, education training and skills, community safety and enabling community involvement and engagement. These priorities were informed by community consultation and partner engagement and align with the wider aims of the Council. Outcomes and community impact are measured through HACT's Social Value model.

3.5.2 Examples of this work include the successful Monkscroft Community Action Group which is helping to support a vibrant and inclusive community in that neighbourhood. This model is being replicated with partners and residents in other neighbourhoods to establish new residents' groups. Over school holidays CBH has also worked closely with the Council and other partners to deliver a range of fun and healthy activities as part of the No Child Left Behind Campaign.

3.5.3 CBH's ASB team support our partners, including the Police, in tackling issues of drug use and other anti-social behaviour issues. The team will continue out of hours working to support and reassure local residents and work proactively through supporting people dealing with trauma related vulnerabilities.

3.5.4 CBH's pilot ACE's programme (Adverse Childhood Experiences) has been developed with the goal of supporting families along a pathway to resilience to overcome their ACEs. This approach is based upon a "what has happened to you" approach, centred around trust building, kindness and compassion. The outcomes of the pilot prove the value of taking an

ACEs approach and supports the extension of this programme including progressing opportunities for obtaining external funding to expand the programme.

3.5.5 CBH's Employment and Training team deliver a range of activities with the aim of supporting 150 customers into new jobs or training each year. Existing programmes for young people such as Thrive, which is designed to help young people stay in education and then transition to apprenticeships where possible, will continue under the budget proposals. Newly developed programmes such as working in partnership with GEM (Going the Extra Mile) to support 18-24 year olds in gaining Employability Skills Development Certificates, work placements and careers advice will also be possible.

3.5.6 The budget proposals for 2022/23 ensure the Council and CBH will continue to be able to support tenants and communities to thrive and help improve outcomes for young people and reduce inequality.

3.6 ***Maintaining high quality landlord services***

3.6.1 Despite the challenging operating environment, with the support of the Council, CBH continues to prioritise the provision of high quality, core landlord services to tenants, delivering top quartile performance when compared to other housing providers in the sector. These core services include repairs, anti-social behaviour management (ASB), tenancy management, rent arrears management, lettings and resident involvement. Appropriate investment in these core landlord services from the HRA ensures high performance and customer satisfaction levels.

3.6.2 Repairs and maintenance performance is a key driver of satisfaction and important to sustain quality housing stock and therefore extra capacity has been included in the draft budget to respond to increases in demand and recognise the current cost pressures and shortages in materials and skilled labour in the sector. As part of this extra capacity, provision has been made for an additional apprenticeship role.

3.6.3 As part of the proposed budget CBH will continue to focus on listening and acting on customer feedback in order to improve satisfaction levels, expand digital services whilst identifying efficiencies in core management costs through mobile working and automation of processes.

4. Delivering through strong partnership working

4.1 Delivery of the Council's housing ambitions and investment plans set out above is only possible through strong partnership working. The partnership with CBH continues to be strengthened with joint working to implement opportunities and efficiencies proposed within the recent strategic housing review and collaborate further on our jointly held strategic goals and measures of success.

4.2 One of the CBH owned outcomes of the Stronger Working Partnership Programme is to deliver annual savings for the Council of £487k over three years to 2023/24. The driver for these savings is to support the long-term sustainability of the HRA during the current period of greater financial uncertainty and significant investment challenges for the HRA over the medium term including new homes, existing homes and net zero carbon whilst maintaining high quality services for customers.

4.3 A targeted savings profile is shown below along with the current forecast position.

	2021/22 £000	2022/23 £000	2023/24 £000	Total Annual Savings £000
Indicative annual savings to be identified and delivered by CBH for the Council	70	200	217	487
Current forecast based on progress to date	**109**	**200**	**178**	**487**
Savings delivered or in progress	✓	✓	tbc	**309**

4.4 Year 1 savings have been delivered by CBH through efficiencies reflected in a flat ALMO management fee for 2021-22. Year 2 savings relate to the lease surrender of Cheltenham House during the current year. This lease surrender was negotiated by CBH 5 years in advance of the lease termination date and without incurring any penalties or dilapidation charges. CBH will continue to work over the coming 12-18 months to identify and deliver the remaining £178k of savings for 2023/24.

4.5 Through CBH, partnership working extends a lot further, working with multiple partners to deliver projects, activities and funding including:

- a large number of successful community events during school holidays supporting the Council's No Child Left Behind Campaign and the holiday activity and food programme Cheltenham's Summer of Play 2022
- a hub based service focusing on wellbeing to support older people to access services and social opportunities close to home, supporting independent living and reducing social isolation
- a Housing First pathway to permanently house rough sleepers in tenancies with support (with a proposal of expanding this initiative over the next three years if grant funding is successfully received)
- projects to combat Anti Social Behaviour
- outcomes for families and young people impacted by Adverse Childhood Experiences
- employment and training outcomes
- a programme of detached youth work
- support for Cheltenham's Heads up campaign to raise awareness of mental health and positive lifestyle choices
- support for Cheltenham' Inspiring Families programme, working with partners to provide community based family support

5. 2021/22 HRA Revised Forecast (Appendix 2)

5.1 The most recent revenue forecast for the current year shows a reduction in the net operating surplus of £210,500 compared to the original budget. Significant variations (greater than £50,000) have been identified in budget monitoring reports and are shown below:

Budget Heading	Additional Cost (-) / Income (+) £
Repairs and Maintenance - increased expenditure due to the lifting of COVID restrictions and the need to clear the repairs backlog. The current demand from customers is higher than the previous 'normal' level of activity which is being monitored closely. There are also increasing cost pressures, on materials, labour and sub-contract works, as well as supply issues with certain material products.	-257,900
Interest Payable – reduction in borrowing due to COVID-19 delays to the capital programme and availability of other resources	156,900
Depreciation of Dwellings – reflects higher stock numbers and inflation on components and property valuations	-158,300
Depreciation of Other Assets – decreased due to the reduction in other capital additions (e.g. garages)	52,100
Other net variations (lower than £50,000)	-3,300
Decrease in Operating Surplus (compared to Original Budget)	**-210,500**

5.2 The most recent forecast of the HRA Capital Programme shows a reduction of £8,583,200 compared to the original budget. Significant variations (greater than £250,000) have been identified in budget monitoring reports and are shown below:

Budget Heading	Additional Capital (+) / Reduction (1) £
Windows & Doors - manufacturing and fitting interruptions are being experienced by the contractor due to labour supply shortages	-518,000
Paths, Fences & Walls – the level of works deliverable in the current year has been re-assessed due to the current challenging operating environment	-568,000
Warden call – procurement delays and extended lead in period due to current shortages in the market resulting in works running into 2022/23	-400,000
HRA New Build and Acquisitions - although forecast completions of new build and acquisitions remain on target for the year there have been additional challenges in progressing new schemes due to planning, material and labour supply shortages and financial viability issues. These challenges are being faced by a number of different contractors on s106 schemes and developer led schemes. The overall pipeline of new properties remains strong however the timings within the programme will change.	-7,000,000
Other net variations (less than £250,000)	-97,200
Decrease in HRA Capital Programme (compared to Original Budget)	**-£8,583,200**

6. 2022/23 HRA Budget Proposals (Appendix 2)

6.1 The detailed budget proposals for the HRA Operating Account are set out in Appendix 2. These highlight an increasing net operating surplus from the increase in rent from new homes whilst controlling costs. These net operating surpluses will be reinvested back into the HRA to support future service delivery and investment in new homes and improvements to existing homes.

6.2 All rents are proposed to increase by 4.1% in April 2022 following the announcement of the CPI for September 2021 at 3.1% (current Government rent policy limits annual rent increases to CPI + 1%).

6.3 Every pound of additional rent will be reinvested back into the HRA in order to deliver enhanced services which help improve the quality of life for HRA tenants, maintain and improve existing homes and provide more high-quality, net zero carbon affordable homes which are needed in Cheltenham. Working with CBH the Council will continue to demonstrate excellent customer services and high performance at the right cost delivering value for money and achieving positive change and outcomes for its communities.

6.4 The rent estimates assume a 1% void rate and 20 RTB sales annually and also reflect additional income from newly built homes and acquired homes.

6.5 Estimates of service charge income currently assume:

- Increase of 4% for cleaning services supplied by CBH reflecting pay inflation and additional costs of waste disposal
- Increases for heating to communal schemes of 7.5% spreading current fuel price inflation over more than one year
- Increase of 3% for HRA grounds maintenance work undertaken by Ubico

6.6 Garage rents are to be increased by 4.1% from April 2022 in line with the proposed increase in housing rents.

6.7 Expenditure budgets reflect: -

- A pay award in 2022/23 of 2% with a 1% contingency provision
- Employers' National Insurance increasing by 1.25% next year prior to a new health and social care levy in the following years
- An increase in the ALMO management fee of 1.5% which reflects provision for a pay award, increase in National Insurance and inflation on other non-staff costs, offset by savings under the CBC/CBH Stronger Working Partnership Programme
- Inflationary increases of 3% on non-staff pay costs with higher inflationary increases on building and maintenance costs reflecting current price pressures in the construction sector and the impact of the increase in National Insurance on subcontractors and other suppliers
- Shared service cost increases at 3% per annum
- Interest rates on new borrowing at 2% per annum

- Assumption that Homes England funding continues at existing levels and shared ownership costs do not change substantially

6.8 Significant changes to the HRA operating account (greater than £50,000) in 2022/23 as compared to the revised forecast for 2021/22 are itemised in the table below. There is an increase of £56,600 in the operating surplus for the year when compared with the 2021/22 forecast.

Budget Heading	Additional Cost (-) / Income (+) £
General and Special Management – increase due to pay award and NI increases and inflation on non-staff costs in particular fuel charges. Also includes additional contribution to the Golden Valley Development (£150,000) and the Housing First initiative (£26,000 net of grant)	-340,300
ALMO Management Fee – increase due to pay award and NI increases, additional office space in Municipal Office partly offset by savings identified through the CBC/CBH Stronger Working Partnership	-88,000
Increase in Repairs & Maintenance – the forecast noted above already takes into account demand, price and supply pressures. The limited additional budget provision for 2022/23 reflects reduced reliance on sub-contractors and new fire risk assessments being undertaken in 2021/22 and not needing renewal for a further 5 years	-69,900
Interest Payable – arising from additional borrowing to finance the capital programme	-242,300
Depreciation of Dwellings – reflects the increase in stock numbers	-201,800
Rent Income – rent increase (4.1%) and supply of new homes	964,900
Other net variations (lower than £50,000)	34,000
Increase in Operating Surplus (compared to 2021/22 forecast)	**56,600**

7. HRA Capital Programme 2022/23 (Appendices 3 & 4)

7.1 The capital programme for 2022/23 continues to show significant investment in both existing homes and the acquisition and development of additional homes. Total spend is forecast to increase to £28.3m.

7.2 The proposed funding of this ambitious programme is set out at Appendix 3 and includes a combination of borrowing, Homes England grant, shared ownership sales, capital receipts and leaseholder and revenue contributions. The balance of funding sources may vary, dependent on availability and prevailing interest rates.

8. Funding and Financial Viability

8.1 The significant level of capital investment proposed within this report will be financed by a combination of borrowing, grant funding, shared ownership sales and capital receipts. Careful management and monitoring of this investment and related financing will be maintained to ensure that the HRA remains financially viable for the long term. To this end the assumptions and plans identified in the 2022/23 budget proposals and the projections for the following 2 years have been included in the updated 30-year HRA Financial Model.

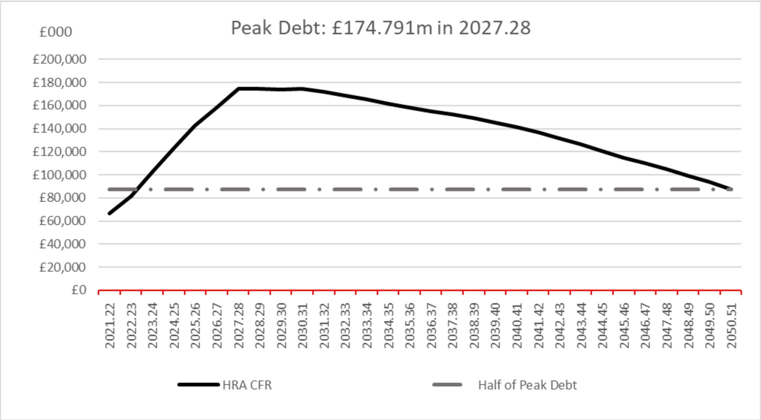
8.2 There remains a number of areas of uncertainty and risk within the longer term projections for the HRA including the level and nature of Government funding for the retrofit programme for existing homes to deliver on carbon reduction aspirations, the pace of delivery of new homes that is possible, inflationary and supply pressures, and Government rent and other policy positions. These will continue to be monitored and modelled as further information becomes available.

8.3 Long term assumptions used in the model include:

- CPI at the Government target rate of 2%
- Rent increases at CPI + 1% per annum to March 2025 then reducing to CPI thereafter (next review of Government rent policy due April 2025)
- Borrowing rates at 3% per annum over the long term
- A refreshed assessment of the 30-year need to spend on repairs and component replacement

8.4 The following parameters are used to ensure financial viability in the longer term:

- the ability to deliver the capital programme on existing homes
- the HRA is able to repay debt – as shown in the graph opposite with debt in year 30 less than half of peak debt
- HRA reserves do not fall below a contingency level
- there is sufficient and growing interest cover



8.5 This 30-year model is maintained and updated annually by CBH to ensure that the HRA retains capacity for further investment in programmes as required including net zero carbon, new homes and the Golden Valley project. Careful monitoring is necessary to ensure that the scale and pace of delivery does not risk long term viability.

9. Consultation process

9.1 The 2022/23 budget proposals have been endorsed by the CBH Board. The proposals were also presented to CBH's Tenant Service Improvement Panel (TSIP). No other comments have been received.

Report author	**Stafford Cruse, Interim Executive Director (Finance and Resources), Cheltenham Borough Homes** **Tel. 07721 879841** ***e-mail address: stafford.cruse@cbh.org***
Appendices	1. Risk Assessment 2 HRA Operating Account 3 Major Repairs Reserve and HRA Capital Programme (summary) 4 HRA Capital Programme (detail) 5 CBH – who we are, what we do, why we do it
Background information	1. HRA 30-year Financial Plan 2. CBH Budgets and Plans 3. CBC Corporate Strategy

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Risk Assessment - HRA budget proposals 2022/23 **Appendix 1**

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If the external policy environment remains volatile this may impact the economic operating environment and future funding of the HRA	Tim Atkins	December 2019	4	3	12	R	Policy changes are monitored closely and the impacts understood and mitigated where there is a significant impact on the HRA (such as the four year rent reduction policy). A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBH through management agreement	
1.02	If welfare reforms, including changes to UC rates, have a greater impact on tenants than anticipated and planned for, it may increase the level of arrears for the HRA and impact on vulnerable families	Tim Atkins	December 2012	3	2	6	R	The HRA budget includes specific resources to control rent arrears and support tenants through transition to Universal Credit. This has been successful in mitigating the impact so far.	Mar 2023	CBH through management agreement	
1.03	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	December 2012	3	2	6	R	Demand for social housing remains high and is anticipated to increase in the medium term, with a significant waiting list and short re-let times. Quality of homes needs to be maintained and changes in void levels monitored.	Mar 2023	CBH through management agreement	
1.04	If there are insufficient resources to deliver planned maintenance to existing homes or meet additional compliance	Tim Atkins	December 2019	4	3	12	R	Robust stock condition data and compliance data is maintained informing future capital spend and compliance requirements.	Mar 2023	CBH through management agreement	

	requirements, then homes may become non decent or there may be an increase in void loss							Procurement best practice is followed with continuing contract management. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term			
1.05	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	3	2	6	R	The planned maintenance programme for existing homes is delivered each year. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term. Major peril to the stock is fire which is covered by appropriate insurance.	Mar 2023	CBH through management agreement	
1.06	If the Net Zero Carbon programme is not carefully planned and delivered and not sufficiently funded by Government there may be insufficient resources to deliver existing maintenance programmes and services	Tim Atkins	December 2019	4	3	12	R	Resources have been set aside to conduct pilot and initial retrofit activities. This will be followed by further funding bids and retrofit programmes. The target for new build controlled by the Council is to deliver net zero carbon homes. Progress in the sector and funding proposals by Government will be carefully monitored. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBC/CBH through partnership working	

1.07	If there are insufficient new supply opportunities (land/acquisitions) or resources (including funding such as grants and borrowing) the ambitious targets for net new supply will not be achieved	Tim Atkins	December 2019	3	2	6	R	Internal resources have been expanded to identify and deliver on new supply opportunities. Close partnership working between and CBC and CBH and also with Homes England is maintained. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBC/CBH via Strategic Housing Delivery Group, Council Member Working Group, Operational Working Group	
1.08	If the capital receipts held from RTB sales under the retention agreement with DLUHC are not used within 5 years of receipt they are repayable with interest to the Government	Tim Atkins	December 2021	3	1	3	R	The acquisition programme is continuing at a level which is adequate to use receipts before they would be repayable. This position is regularly monitored.	Mar 2023	CBC/CBH via the Operational Working Group	
1.09	If the impact of the COVID 19 pandemic continues in the medium term this may cause further operating and financial restraints	Tim Atkins	December 2020	4	3	12	R	Government advice will be followed and implemented as required. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term.	Mar 2023	CBH through management agreement	
1.10	If material and labour price increases and resource constraints continue in the medium term this may cause further financial restraints	Tim Atkins	December 2021	4	3	12	R	The current volatility in the construction sector will continue to be monitored carefully. Long term supply agreements are in place or will be put in place for new programmes through competitive procurement to reduce the risk of labour and material	Mar 2023	CBH through management agreement	

								shortages. Sufficient internal resource will be maintained to reduce the impact of subcontractor price volatility. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term.			

Appendix 2

HRA OPERATING ACCOUNT

	2021/22 Original £	2021/22 Forecast £	2022/23 Estimate £	2023/24 Projections £	2024/25 Projections £
EXPENDITURE					
General & Special Management	2,253,900	2,283,200	2,623,500	2,630,500	2,598,600
ALMO Management Fee	5,503,000	5,503,000	5,591,000	5,524,800	5,635,300
Rents, Rates, Taxes and Other Charges	69,600	89,600	89,600	89,600	89,600
Repairs & Maintenance	4,481,000	4,738,900	4,808,800	4,963,800	5,123,700
Provision for Bad Debts	292,000	292,000	307,000	321,000	342,000
Interest Payable	2,034,600	1,877,700	2,120,000	2,514,000	2,914,400
Depreciation of Dwellings	4,898,000	5,056,300	5,258,100	5,369,200	5,594,300
Depreciation of Other Assets	328,700	276,600	278,200	308,400	328,700
Debt Management Expenses	89,100	89,100	93,600	95,500	97,400
TOTAL	**19,949,900**	**20,206,400**	**21,169,800**	**21,816,800**	**22,724,000**
INCOME					
Dwelling Rents	19,466,800	19,506,200	20,471,100	21,404,600	22,800,800
Non Dwelling Rents	502,000	499,300	508,000	514,300	520,900
Charges for Services and Facilities	908,700	912,400	947,300	975,200	1,004,400
Feed in Tariff from PV Installations	245,600	245,000	255,000	262,700	270,600
TOTAL	**21,123,100**	**21,162,900**	**22,181,400**	**23,156,800**	**24,596,700**
NET INCOME FROM SERVICES	1,173,200	956,500	1,011,600	1,340,000	1,872,700
Interest Receivable	23,100	29,300	30,800	30,800	30,800
NET OPERATING SURPLUS	1,196,300	985,800	1,042,400	1,370,800	1,903,500
Appropriations					
Revenue Contributions to Capital	-1,196,300	-985,800	-1,042,400	-1,370,800	-1,903,500
Net Increase/(Decrease) in reserves	-	-	-	-	-
Revenue Reserve brought forward	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Revenue Reserve carried forward	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

Average Social Rent:-					
Increase 1st April			**4.10%**	**3.00%**	**3.00%**
48 wk		**89.37**	**93.04**	**95.83**	**98.70**
52 wk		**82.50**	**85.88**	**88.46**	**91.11**
Average stock		**4,379**	**4,367**	**4,360**	**4,370**

Average Affordable Rent:-					
Increase 1st April			**4.10%**	**3.00%**	**3.00%**
48 wk		**141.47**	**147.27**	**151.69**	**156.24**
52 wk		**130.59**	**135.95**	**140.02**	**144.22**
Average stock		**118**	**144**	**196**	**268**

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Appendix 3

MAJOR REPAIRS RESERVE

	2021/22 Original £	2021/22 Forecast £	2022/23 Estimate £	2023/24 Projections £	2024/25 Projections £
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	4,898,000	5,056,300	5,258,100	5,369,200	5,594,300
Depreciation of Other Assets	328,700	276,600	278,200	308,400	328,700
	5,226,700	5,332,900	5,536,300	5,677,600	5,923,000
Utilised to fund Capital Programme	-5,226,700	-5,332,900	-5,536,300	-5,677,600	-5,923,000
Balance carried forward	-	-	-	-	-

HRA CAPITAL PROGRAMME

	2021/22 Original £	2021/22 Forecast £	2022/23 Estimate £	2023/24 Projections £	2024/25 Projections £
EXPENDITURE					
EXISTING STOCK					
Property Improvements & Major Repairs	8,846,000	7,180,800	10,767,000	10,017,000	12,126,000
Adaptations for the Disabled	500,000	550,000	500,000	500,000	500,000
Other inc repurchase of S/O Dwellings	60,000	92,000	60,000	60,000	60,000
	9,406,000	7,822,800	11,327,000	10,577,000	12,686,000
NEW BUILD & ACQUISITIONS	15,000,000	8,000,000	17,000,000	25,000,000	25,000,000
TOTAL	24,406,000	15,822,800	28,327,000	35,577,000	37,686,000
FINANCING					
Capital Receipts	1,401,000	1,211,000	1,511,000	1,511,000	1,511,000
HRA Revenue Contribution	1,196,300	985,800	1,042,400	1,370,800	1,903,500
Leaseholder Recharges	300,000	300,000	300,000	300,000	300,000
Major Repairs Reserve	5,226,700	5,332,900	5,536,300	5,677,600	5,923,000
Grants & Shared Ownership Sales	2,687,400	1,320,300	2,187,900	5,823,800	5,957,500
Borrowing	13,594,600	6,672,800	17,749,400	20,893,800	22,091,000
TOTAL	24,406,000	15,822,800	28,327,000	35,577,000	37,686,000

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PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	**2021/22**	**2022/23**	**2023/24**	**2024/25**
EXTERNAL IMPROVEMENTS	1,624,000	1,806,000	1,757,000	1,788,000
INTERNAL IMPROVEMENTS	591,000	679,000	698,000	4,500,000
PATHS, FENCES & WALLS	93,000	427,000	342,000	500,000
NEIGHBOURHOOD WORKS	80,000	600,000	400,000	400,000
ENERGY EFFICIENCY & OTHER SUSTAINABILITY MEASURES	140,000	1,560,000	2,000,000	2,000,000
RENEWAL OF HEATING SYSTEMS	1,059,000	607,000	621,000	363,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	680,000	880,000	650,000	650,000
WINDOWS & DOORS	953,000	1,726,000	501,000	-
ASBESTOS	275,000	250,000	250,000	250,000
SHELTERED ACCOMMODATION	120,000	135,000	80,000	80,000
DOOR ENTRY SCHEMES	131,800	2,000	2,000	2,000
STRUCTURAL WORKS	42,000	30,000	30,000	30,000
COMMUNAL WORKS	44,000	74,000	362,000	108,000
FIRE PROTECTION	150,000	275,000	150,000	150,000
LIFTS	60,000	237,000	255,000	-
NON TRADITIONAL HOMES (CORNISH UNIT PROPERTIES)	-	20,000	1,060,000	-
GARAGE IMPROVEMENTS	25,000	25,000	25,000	25,000
WARDEN CALL UPGRADE	400,000	600,000	-	-
CONCRETE REPAIRS	-	-	-	445,000
WORKS TO BUILDING FABRIC	-	10,000	10,000	11,000
FEE FOR MANAGING PROGRAMME	713,000	824,000	824,000	824,000
TOTAL BUDGET FOR EXISTING PROPERTIES	7,180,800	10,767,000	10,017,000	12,126,000

NEW BUILD & ACQUISITIONS				
	2021/22	**2022/23**	**2023/24**	**2024/25**
NEW BUILD (APPROVED)	3,240,100	1,724,400	2,725,400	3,300
MARKET PURCHASE	3,097,400	3,036,000	3,036,000	3,036,000
NEW SCHEMES	1,662,500	12,239,600	19,238,600	21,960,700
TOTAL ESTIMATE FOR NEW BUILD & ACQUISITIONS	8,000,000	17,000,000	25,000,000	25,000,000

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CHELTENHAM BOROUGH HOMES

WHO WE ARE | WHAT WE DO | WHY WE DO IT

January 2022
www.cbh.org

Cheltenham Borough Homes

Working in partnership with

CHELTENHAM BOROUGH COUNCIL

" Cheltenham Borough Homes is driven by people who have a real passion to make a positive difference to the lives of people living in Cheltenham.

At its heart it has a tradition of putting people first, treating them well, and making a positive difference to their lives, by providing safe and secure homes, supporting strong and vibrant communities, and inspiring people to go beyond what is expected and deliver what can be imagined.

There are challenges ahead with the economic recovery post COVID-19 and meeting the challenges in the housing sector driven by the impact of Grenfell and the subsequent recommendations in the government's Social Housing White Paper, but we have a solid foundation to support us through what will be a time of significant change.

Following another year of uncertainty and challenge I am proud to work with colleagues who continue to go the extra mile for our customers and have maintained a great service for some of Cheltenham's most vulnerable people and families.

Working in close partnership with the Council we are delivering on ambitious plans to create a town where everyone thrives. To make this a reality we will continually improve our customer service and ensure we listen to and act upon feedback, look at ways to make customers' homes more energy efficient to support the council's aim to be net carbon zero, and ensure our new and existing homes are a place customers can call home."

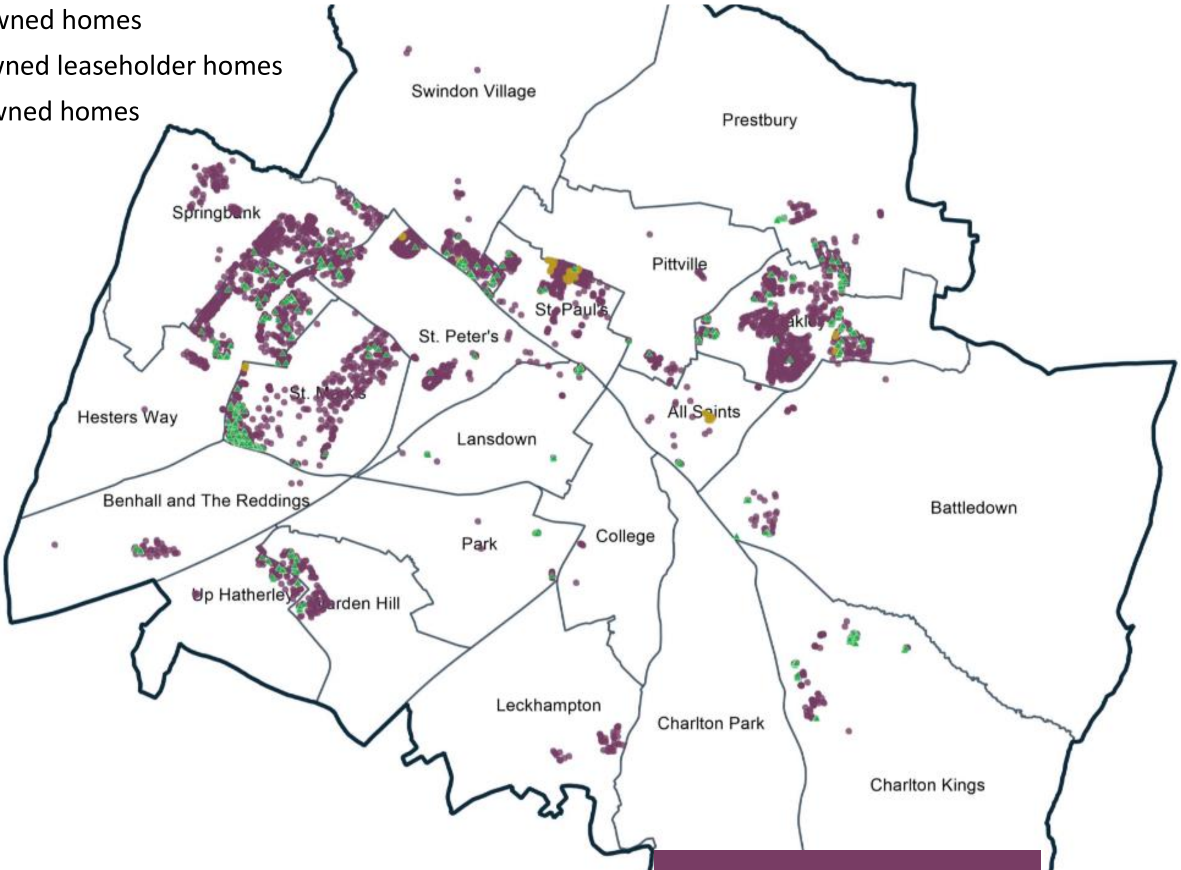
Steve Slater

CEO, Cheltenham Borough Homes

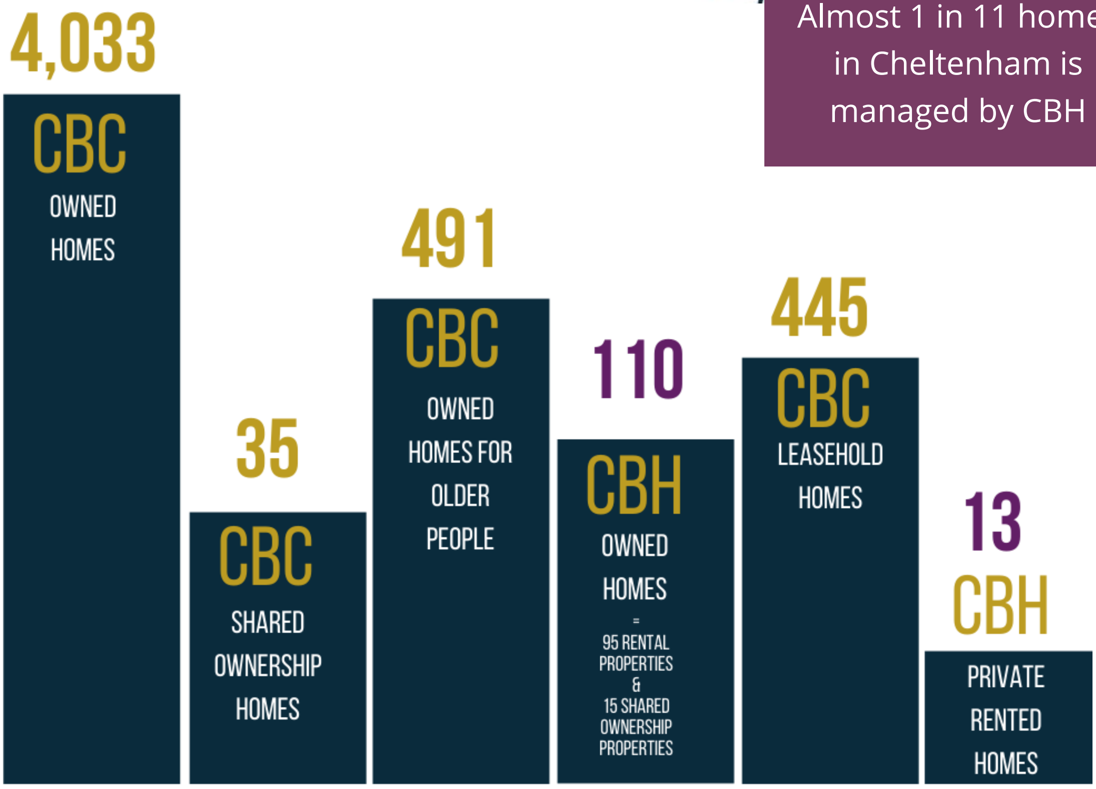
Distribution of CBC-owned homes, garages, and leasehold properties

Key:

- CBC-owned homes
- CBC-owned leaseholder homes
- CBH-owned homes



Almost 1 in 11 homes in Cheltenham is managed by CBH



Investing in Cheltenham

We continue to **support the Council** to deliver its ambitious aims for Cheltenham and the town's **economic recovery** and are supporting achieving the **challenging 2030 net carbon zero target**, through **improving homes**, **driving increased standards** for new build, and making changes to business operation.

Operating within the most deprived communities across Cheltenham we provide **enhanced services** that make a **positive difference to people's lives.** We see the person not the tenancy, and our neighbourly approach and drive to go the extra mile enables people to thrive and create stronger, sustainable communities.

Alongside **providing and maintaining quality, affordable homes**, on behalf of the Council we provide advice for people dealing with **benefits and money issues**; support people to **find work and training** opportunities; hubs for and delivery of **community activities**; provide **digital inclusion** opportunities; and work closely with **local schools** to help students to remain in mainstream education.

As an effective delivery partner, trusted and valued by the Council, local partners, and our customers we are aware of the challenges our communities face and are perfectly positioned to support customers and their families with the rising costs of living and other issues this can bring.

WHAT WE DO

Helping people into work, training, and education

We deliver a range of virtual and in person support for people trying to find work and training opportunities. CBH's Training and Employment Service (TES) has been supporting the people furthest away from the labour market for over a decade and has developed an approach to support young people at risk of exclusion. For example, during 2020-21 our training and employment experts helped:

43
into work

68
into training

Safety equipment to people starting work in the construction industry

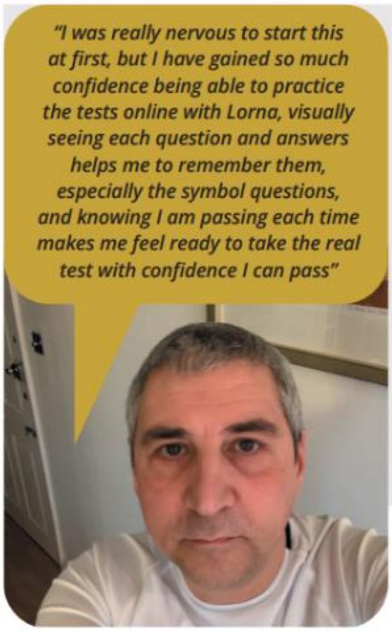
CSCS tests and cards

ASDAN training materials

Pino's story:

CSCS (Construction Skills Certification Scheme)

Pino had an ambition to increase his employment prospects by gaining a CSCS construction card. The team worked closely with Pino to make sure that we were able to provide him with the right support safely and remotely so that he could thrive during the training. The support he received helped him to secure his Construction Skills Certification Scheme CSCS card after passing his test. In Pino's words:



Tim's story:

Work clubs and one to one sessions

Tim had a long history of working and being self-sufficient, until recently, when he found himself in the unfamiliar situation of being unemployed. In need of advice and guidance, he contacted us to support him through his next steps. Our benefit and money advisors helped him improve his financial situation, so he could focus on gaining employment. He said:

Ollie's story:

ASDAN Careers and Experiencing Certificates

Working with two schools the award winning **Thrive programme** gives a real chance for young people to change their future by offering a different way of learning that can influence the rest of their lives. During his time on **Thrive** Ollie successfully secured his ASDAN Careers and Experiencing Certificates and received great feedback during his placements with our responsive repairs team and contractors. After graduating from **Thrive**, he continued to work hard to secure the qualifications he needed and secured a property maintenance apprenticeship with Cheltenham Flooring. In Ollie's words:

WHAT WE DO

Delivering through strong partnership working

We're passionate about reducing social isolation and increasing resilience within our communities and work closely with local partners to deliver virtual and face to face opportunities for learning and meeting up with others.

> **"Vincent has made a huge impact in the last 18 months around his work with ACES in the St Paul's Community. He is kind, caring and has a natural ability to build rapport with children, youth and their families. His enthusiasm is infectious, and he is able to see the best in some extremely challenging situations. He has made a huge impact in the lives of many children and young people as he supports and champions them"**
>
> Jennifer Fellows - Assistant Pastor, St Paul's Church, Cheltenham

> **"Vincent was involved with a young person, who had stopped engaging with professionals and we were stuck with next steps. It was unclear if the behaviour was in a wilful manner or if there were anxiety or confidence issues. He has been working with the young person and helped us understand there are underlying mental health concerns which has helped with a plan of action. This young person is now getting out, engaging in activities, and building confidence which is significant progress. This outcome is because of the direct work Vince is providing partners"**
>
> Sinead Kirk – Families First Gloucestershire County Council

We are leading a successful pilot project aimed at tackling the impact of Adverse Child Experiences (ACEs). This includes working with partners to provide young people with the help they need to return to education following long periods of time away from school.

Maintaining high quality landlord services

We help people to maintain and stay in their homes and work with them to identify and engage with the right support. Helping the most vulnerable households to secure a long-term home they can sustain. **We provide housing and homelessness services for the whole of Cheltenham:**

£66,000 of arrears cleared

£1.3m of additional benefits we helped customers claimed

Teamed up with Severn Trent, helping us to reduce our customer's bills by up to **£300 per year** and clear historic debt of over **£1000**

368 families provided with assistance to remain in their home or find a place to stay to prevent homelessness

£2.3m in additional benefits we helped families across Cheltenham claim

400 families housed in Cheltenham through homeseekerplus

89 homes secured through the private rented access scheme to help those who are homeless

125 people helped off the streets through the 'Everyone in' scheme to provide them with the support they need

Making Cheltenham Net Carbon Zero by 2030

To support the Council's response to the climate emergency we're developing a Carbon Reduction Strategy which includes plans for the existing social housing portfolio, taking account of associated HRA budget requirements.

Awarded grant funding from The Department for Business, Energy and Industrial Strategy (BEIS) as part of the social housing decarbonisation project to help Cheltenham become a carbon neutral town.

Investing in existing homes

We know the value of home, which is why we have **listened to customer feedback** and are **embracing technology** to help us carry out more repairs each day.

To help tackle **fuel poverty** and **reduce the carbon impact** of our homes we are piloting an innovative scheme to carry out deep retrofitting works and monitor the effectiveness of the measures taken to inform future thinking.

To improve energy efficiency in the home and reduce fuel bills, we carried out the following works:

Last year we spent £6.2m to improve homes.

Fitted **743** new high quality doors to lower tenants' energy costs

Renewed the wiring and lighting to **117** communal blocks to keep people safe and secure in their homes

Improved the energy efficiency of **47** homes to save on tenants' energy bills

We responded to **555** emergency repairs at night or over the weekend

Carried out **544** electric tests to keep tenants safe and secure in their homes

99.8% **of over 8,000** emergency, urgent and responsive repairs completed on time

Investing in new affordable homes

Working in partnership with the Council we're enabling the investment of **£180m in quality homes and thriving communities** across multiple tenures including affordable and private rent and through multiple opportunities including the Golden Valley Development, and other land-led schemes.

On schemes controlled by the Council, new homes will be designed to be net zero carbon buildings, helping to meet Cheltenham's aspirations to be net zero by 2030, and consider other aspects such as biodiversity and fuel poverty considerations.

This supports the wider housing strategy of the council in meeting future housing needs for Cheltenham.

26
homes we acquired on the open market, making good use of the money received from the properties sold under the right to buy scheme

Awarded
£2.7m
From Homes England

25
homes freed up for families as part of our downsizing programme

3
homes completed via section 106 agreement for families

We built
35
new affordable homes providing more opportunities for families to find their home through social rent or shared ownership



WHY WE DO IT

Social Housing White Paper - People come first

At the heart of CBH are our customers and we are always looking ahead to make sure we are providing excellent services. We offer a variety of ways customers can get involved to share their thoughts and have their say in person and digitally. Carrying out surveys and feedback groups to help scrutinise and challenge us is a huge part of our tenant engagement strategy. During 2020/21 we've had a fantastic 1,034 responses:

85% of people said they are happy overall with CBH

78% satisfied with repairs and maintenance service

90% of people thought their rent was value for money

89% of people feel safe in their home

73% satisfied we listen to views and act on them

80% are happy with the quality of their home

> **They are sympathetic. They do listen. They have fantastic customer service. They get things sorted as fast as they can...**
> Tenant

> **Thank you so very, very much for the help and support you have given me throughout what has been a very difficult period in my life"**
> Tenant

> **They do everything i always ask for. I've got a nice home. I feel safe**
> Tenant

Demonstrating excellent customer services at the right cost is crucial and ensures CBH is delivering value for money (VFM); it is about understanding the need to spend and managing that effectively to maintain strong core services and continuing to achieve positive change and outcomes for customers. This ensures the rent paid into the Housing Revenue Account (HRA) enables us to:

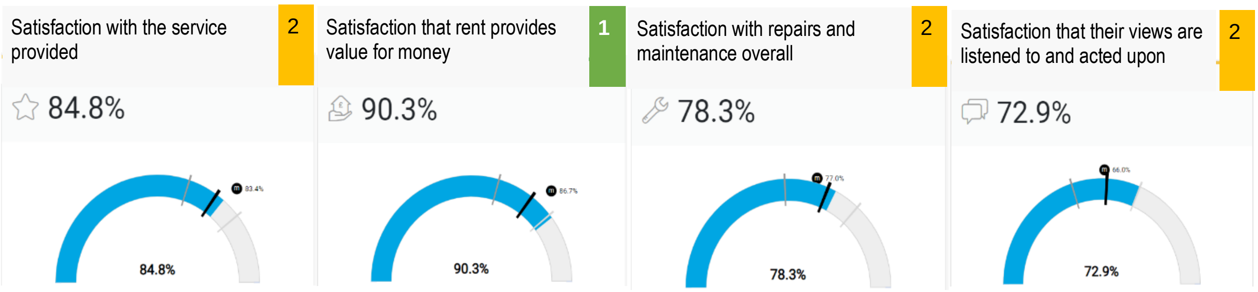
- Deliver enhanced services
- Maintain and improve homes
- Provide more affordable homes

Providing value for money

We set clear budgets and targets every year and monitor closely how we are doing to make sure we spend money in the best way to maximise the delivery of the services valued by our customers. Ensuring our services are value for money is important to us and so we **regularly assess our satisfaction, performance, and costs with a comparable peer group** in the housing sector.

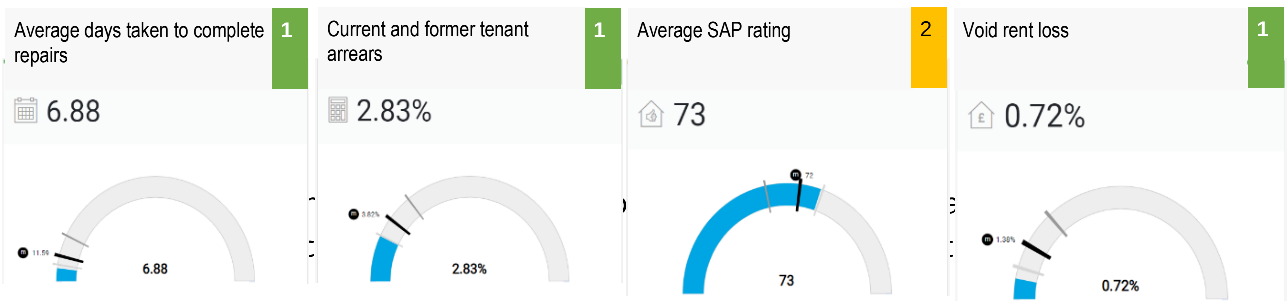
The following indicators are sourced directly from an external third party's tried and tested benchmarking model, widely used across the sector. The infographics show which quartile we are in, in the top right corner (1 = top 25%, 2 = top 50%, and so on), and our current performance.

Satisfaction levels are strong during challenging times, suggesting that our services and how we operate are meeting the needs of our customers. This is a key part of our approach; we listen and then we act on feedback wherever possible.



Performance is also strong, as shown by the indicators below, demonstrating that we are delivering high quality core landlord services. It is of note that the management of lettings and rent and arrears during a time of increasing pressure on tenants and CBH colleagues has remained well above sector medians. Health and Safety has always been a priority for CBH, demonstrated by our seventh consecutive RoSPA Gold Award for H&S Management, ensuring effective management in this critical area.

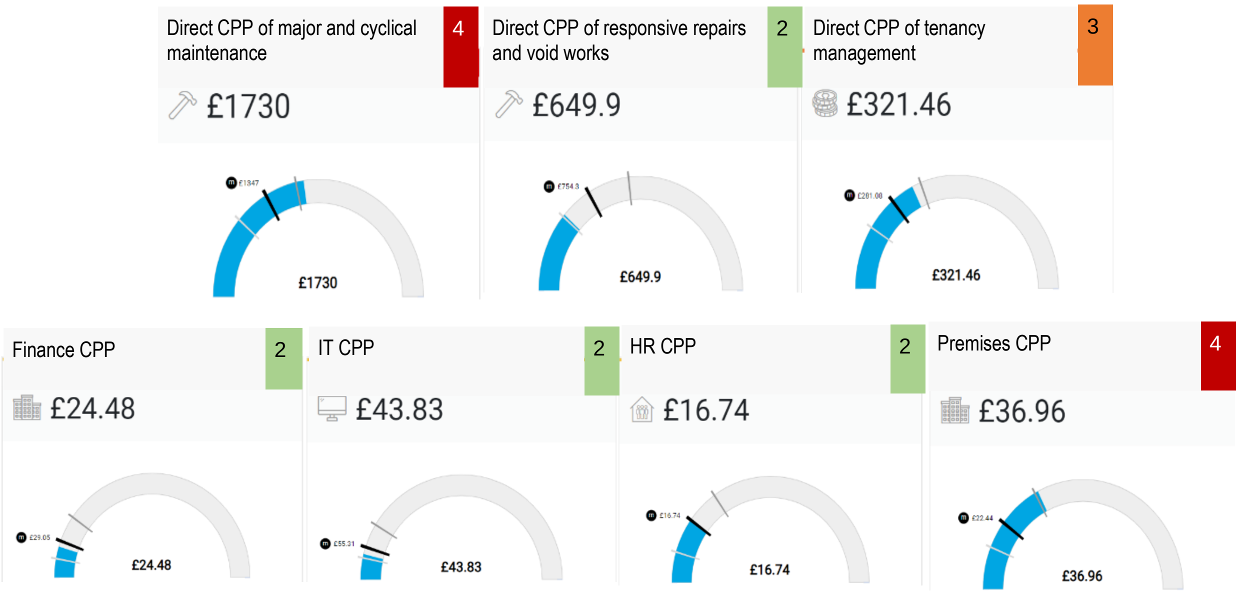
Our planned programmes of investment in existing homes allow us to meet statutory compliance, improve energy performance and the quality of homes in ways that assist our customers and contribute to their satisfaction/quality of life. For example, this investment in homes has resulted in a SAP figure (an indicator of energy efficiency) that has increased year on year.



Great Homes Stronger Communities Inspired People

Our person-centred community-focuss[…] supports **CBC's aim to enable Cheltenham's communities to engage and thrive and support the most vulnerable** to improve their quality of life.

This high level of satisfaction and performance comes from **investing in supporting strong communities** and therefore our costs for housing management services are higher than the peer group average. Effective neighbourhood and community investment, with the involvement of tenants, supports local aims led by CBC and which CBH is very well placed to help deliver.



Costs per property (CPP) for major works and cyclical maintenance are **higher than average**. We continue to invest in existing homes, based on data sourced from our stock surveys, **enabling us to maintain safe, and high-quality homes**. This level is set to continue, reflecting the increase in some aspects of major work (e.g., windows and doors and showers) and starting to invest in specific carbon reduction measures on a 'fabric first' approach. Costs for **responsive repair and void works are lower than average** when compared with our peers as are overhead costs other than premises which will reduce in due course under savings plans being delivered by CBH for the HRA.

We believe the services we deliver on behalf of CBC are value for money. We continue to monitor and balance the three elements of VFM whilst seeking opportunities to become more efficient, find cost savings, and free up further resources in the HRA for investment in services, existing homes, and new homes.

CBH is uniquely positioned in Cheltenham, a trusted and valued presence in homes and communities where there is potential to make a huge positive difference to the lives of thousands of people and families. CBH is a **catalyst for positive change**, working closely and successfully with other local agencies to that end.

For further information about the contents of this report please contact:
comms@cbh.org

| www.cbh.org |

Great Homes Stronger Communities Inspired People

Cheltenham Borough Council

Cabinet – 15 February 2022

Council – 21 February 2022

General Fund Revenue and Capital – Final Budget Proposals 2022/23

Accountable member	**Councillor Peter Jeffries, Cabinet Member for Finance and Assets,**
Accountable officer	**Executive Director Finance and Assets (Section 151 Officer), Paul Jones**
Accountable scrutiny committee	**Overview and Scrutiny Committee and Budget Scrutiny Working Group**
Ward(s) affected	**All**
Key Decision	**Yes**
Executive summary	This report summarises the revised budget for 2021/22 and the Cabinet's final budget proposals and pay policy statement for 2022/23. The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding. The national restrictions which have been in place, either across the country or locally here in Cheltenham have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy. What is clear is that the recovery of our town from the pandemic has only just begun. The budget proposals aim to utilise our assets, skills and infrastructure to enable inclusive and environmentally sustainable growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to lead the recovery from Covid-19. The Council's ambition to make Cheltenham the cyber capital of the UK is critical to ensuring that the council achieves financial sustainability and was addressed as part of the Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16 November 2020. The recommendations within this report aim to ensure a balanced budget is delivered in 2022/23, that sufficient revenue resources are transferred to reserves to provide a cushion to combat longer term uncertainty and that appropriate resources continue to be directed towards the Council's corporate priorities.
Recommendations	**It is recommended that Cabinet/Council:** **1. Approve the revised budget for 2021/22 which is also reported separately in the 2021/22 budget monitor for 31 December 2021.** **2. Consider the budget assessment by the Section 151 Officer at**

Appendix 2 in agreeing the following recommendations.

3. **Approve the final budget proposals including a proposed council tax increase for the services provided by Cheltenham Borough Council for the year 2022/23 based on a Band D property (an increase of 2.28% or £5.00 a year for a Band D property), as detailed in paragraphs 4.14 to 4.19.**

4. **Approve the savings / additional income totalling £1,507,000 and the budget strategy at Appendix 4.**

5. **Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 5.**

6. **Approve the capital programme at Appendix 6.**

7. **Approve the programmed maintenance programme at Appendix 7.**

8. **Approve the flexible use of capital receipts strategy as detailed in Appendix 8.**

9. **Note that the Council will remain in the Gloucestershire business rates pool for 2022/23 (paragraphs 4.4 to 4.13).**

10. **Approve the Medium Term Financial Strategy (MTFS) detailed in Appendix 9.**

11. **Approve the Pay Policy Statement for 2022/23, including the continued payment of a living wage supplement at Appendix 10.**

12. **Approve a level of supplementary estimate of £100,000 for 2022/23 as outlined in Section 14.**

Financial implications	As contained in the report and appendices. **Contact officer: Gemma Bell, Head of Property, Finance and Assets (Deputy Section 151 Officer)** **gemma.bell@cheltenham.gov.uk**

Legal implications	The budget setting process must follow the Council's Budget and Policy Framework Rules. Whilst the setting of the budget is a function reserved to Full Council the draft budget is prepared by Cabinet. The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council has to base its budget calculations upon, and require the council to set a balance budget with regard to the advice of its Chief Finance Officer (Section 151 Officer). Section 25 of the 2003 Local Government Act requires the Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves. Section 30(6) LGFA 1992 provides that the council has to set its budget before 11 March each year. There is also a statutory requirement for local authorities to hold a referendum where council tax is proposed above specific levels. The relevant basic amount of council tax in 2022/23 will require a referendum if it is both:- a) 2%, or more than 2%, above its 2021/22 level; and b) more than £5 above its 2021/22 level. This means that a shire district authority will need to exceed both the percentage and cash referendum thresholds in order to be subject to a referendum; exceeding one principle but not the other does not require a referendum. In accordance with the Council's approved Investment Strategy, the Council is able to lend money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the council. Section 38 Localism Act 2011 requires local authorities to produce Pay Policy Statements. **Contact officer: One Legal – legalservices@onelegal.org.uk** **Tel no: 01684 272012**
HR implications (including learning and organisational development)	Relationships with the two recognised trade unions continue to remain very positive and both have been included in the consultation on the draft budget proposal. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impact on employees as a result of realisation of budget savings are kept to a minimum. **Contact officer: Julie McCarthy julie.mccarthy@publicagroup.uk Tel no: 01242 264355**
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the final budget proposal for 2022/23 is to direct resources towards the key priorities identified in the Council's Corporate Plan whilst recognising the financial pressures caused by the response and recovery from the COVID-19 pandemic.

Environmental and climate change implications	The final budget proposals for 2022/23 contains a number of proposals for improving the local environment, as set out in this report.
Property/Asset Implications	As contained in the report and appendices. **Contact officer: Gemma Bell** **E-mail: gemma.bell@cheltenham.gov.uk** **Tel no: 01242 264124**

1. Background

1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2021. The consultation took place between the period 22 December 2021 to 26 January 2022 and this report sets out the final proposals for 2022/23.

2. Budget Assessment of the Section 151 Officer

2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on Housing Revenue Account to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

2.2 The Section 151 Officer is satisfied that the proposed budget for 2022/23 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2022/23. The full assessment is attached at Appendix 2.

3. 2021/22 Budget Monitoring to December 2021

3.1 The budget monitoring report to the end of December 2021, also considered by Cabinet on 15 February 2022, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2021/22. It is proposed that this is achieved by reducing the contribution planned to be made to general balances at year end.

4. Settlement Funding Assessment

4.1 The assumptions within these budget proposals are based on the local government 'final' finance settlement for 2022/23 which was published by DLUHC on 7 February 2022.

4.2 The headlines from SR21 which directly affects local government were:

- The announcement of a three year settlement has now been reduced to one year only for 2022/23.
- Priority in the settlement is "stability in the immediate term", with a more fundamental review of local government funding starting in 2022.
- Overall Core Spending Power (CSP) increases by over 4% in real terms (£3.5bn cash), including funding for social care reform and cap compensation.
- The 2022/23 settlement rolls forward many aspects of the current year's settlement.

- There is another additional New Homes Bonus payment (Year 12, £407,267), on top of the final "legacy" payment of £230,579.
- A continuation of the Lower Tier Services Grant (LTSG) which ensures that no authority will have a reduction in Core Spending Power in 2022/23. Cheltenham will receive £129,988 in 2022/23.
- A new one-off 2022/23 Services Grant has been created to fund general responsibilities (2013/14 SFA is used to distribute funding). Cheltenham will receive £195,881 in 2022/23. Government have made it clear that this is a one-off grant in 2022/23 and will not be included in the baseline that is used for transitional support (damping) in 2023/24:
- The council tax referendum thresholds for Cheltenham remain unchanged.
- Of the £1.5bn made available, £70m will be used to apply inflation to Revenue Support Grant (RSG), £636m for additional social care grants, and £822m for the new Services Grant.
- Funding for the social care reforms (£162m in 2022/23) will use the existing Adult Relative Needs Formulae (RNF), and is for the Fair Pricing reforms (more detail is provided in the social care written statement).
- Compensation for under-indexing the multiplier (which will be frozen in 2022/23) is based on the Consumer Price Index (CPI) but will use Retail Price Index (RPI) in the final settlement (which will result in about £225m additional funding).

4.3 Ministers will be re-starting the local government funding reforms in the spring 2022. This means that the Fair Funding Review and business rates baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This increases the urgency of the realignment of our budgets to ensure any changes to our baseline funding for next year can be managed more effectively.

Business Rates Retention (BRR)

4.4 In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of the risks and rewards and agreement of satisfactory governance arrangements.

4.5 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.

4.6 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.

4.7 The anticipated level of business rates due to this Council in 2022/23, despite the severe impact of the Covid-19 pandemic remains above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.

4.8 The post-pandemic economic recovery of the town is being monitored closely by the Executive team and has been supported by the targeted use of the business support grant funding provided by the Government through the pandemic. The focused funding of specific sectors and provision of financial support has enabled businesses to adapt the way they operate through national restrictions and mitigate the long-term economic impact of the pandemic on the town.

4.9 The resilience of these businesses, and the opening and anticipated opening of new retail, entertainment and hospitality offerings in the later part of 2021/22 and into 2022/23 have all contributed to expected levels of business rate funding above our baseline funding target.

4.10 Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2022/23 as it will result in a reduction in the levy payment due to central government, which will be distributed in accordance with the governance arrangements.

4.11 One of the key documents in the budget setting process is the estimate of business rates yield, reported on the National Non Domestic Rates return (NNDR1), which is submitted to the DLUHC. The NNDR1 return was submitted by the deadline of 31 January 2022 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and, despite the severe impact of Covid-19, the estimated net surplus from retained business rates against the baseline funding position in 2021/22 is £1.357m (revised estimate) and in 2022/23 £1.505m.

4.12 In 2021/22 the government has supported the Council in two ways:

- by compensating it fully for its 40% share of the additional business rate reliefs awarded by the government to Retail businesses during 2021/22 (this amounts to an estimated £6.79m in additional Section 31 grant); and
- by allowing it to spread the estimated losses arising from other changes (rateable valuation reductions, increased unoccupied relief and write-offs, etc.) over three years (normally these impact fully in the following year) for 2020/21 and 2021/22.

4.13 Due to the expected receipt of the grants in 2021/22 but the need to spread the losses over the next three years, it is proposed to transfer the additional income receivable in 2021/22 to the Business Rates Retention Reserve, for use in future years to compensate for the impact of the increased losses (deficits) in those years. This is shown in the table below.

	2021/22 Original 50% system £	**2021/22 Revised 50% system £**	**2022/23 Original 50% system £**
Retained business rates	21,944,973	17,041,206	20,219,722
Tariff payable to government	-19,244,897	-19,244,897	-19,244,897
Grant to compensate for government decisions	1,417,489	6,790,945	3,889,118
Estimated levy payable to government after Pool surplus	-91,536	-388,286	-517,409
Net retained business rates	**4,026,029**	**4,198,968**	**4,346,534**
Less Baseline Funding (target level of net retained rates)	-2,841,443	-2,841,443	-2,841,443
Net surplus on business rates against baseline funding	**1,184,586**	**1,357,525**	**1,505,091**
Deficit adjustment re 2019/20	-128,170	-128,170	-
Deficit adjustment re 2020/21	-13,966,426	-13,966,426	-361,768
Deficit adjustment re 2021/22	-	4,903,767	-4,903,767
One-off adjustments re previous years' deficits	**-14,094,596**	**-9,190,829**	**-5,265,535**
Net retained business rates (after one-off deficit adjustments)	**-10,068,567**	**-4,991,861**	**-919,002**
Transfer (to) / from BRR earmarked reserve	13,810,279	8,762,782	5,168,875
Net retained business rates	**3,741,711**	**3,770,922**	**4,249,873**

Council Tax

4.14 Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities in 2022/23. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.

4.15 With increased pressures caused by the pandemic and the recent increase in inflation and other operational costs, it continues to be difficult to deliver current levels of services when government support does not cover all additional costs we expect to incur. To this end, there is a clear mandate from central government for the reliance of council tax to fund our local services.

4.16 The tax base has increased by 1.0% in 2021/22 against the target increase of 0.8%. This increase primarily arises from a reduction in claimants of LCTS in the past six months and again indicates that our communities and our economy are beginning to recover from the pandemic.

4.17 The Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.

4.18 The uncertainty surrounding the timing of the fair funding review, business rates and the indications that any new increases in funding in 2022/23 will stay static for the three year settlement period continues to place significant reliance on council tax as our main source of income.

4.19 Therefore, the Cabinet is proposing a 2.28% increase in council tax in 2022/23; an increase of £5.00 for the year for a Band D property.

Collection Fund

4.20 Under normal circumstances, collection fund surpluses arise from higher than anticipated rates of collection of council tax (for example due to additional new build properties becoming chargeable). At this point in time, it is anticipated that there will be a surplus on the collection fund in 2021/22, primarily arising from an increase in the tax base compared to that estimated in setting the budget in February 2021. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the following year.

4.21 A deficit on the Collection Fund was reported in 2020/21 and the Government announcement in July 2020, in response to the financial pressures faced by Local Authorities as a result of the pandemic, confirmed that the repayment of any deficits could be spread over three years.

4.22 As a result, the council's share of the deficit of £27k for 2020/21 will be spread over three years: £9k in 2021/22, 2022/23 and 2023/24. However, in 2022/23 the Council will also receive a share of the estimated surplus for 2021/22 of £71k and a share of the difference between the estimated and actual deficit for 2020/21 of £4k, resulting in a net surplus of £58k. Again, evidence supporting the economic recovery of our town post pandemic as new businesses open and empty premises become occupied again.

5. The Cabinet's general approach to the 2022/23 budget

5.1 The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding.

5.2 The national restrictions which have been in place, across the country or locally here in Cheltenham, have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy.

5.3 Changes to customer behaviour and the way our services are accessed has changed with no certainty as to whether this will be permanent or temporary and what this means for how we fund and operate our services. It also means we need to continue investing in technology, in particular the digital platform to meet the changing requirements of our residents and service users.

5.4 Since its adoption in 2018 the key mechanism driving our response to funding challenges has been the commercial strategy. This has driven an innovative and enterprising mind-set and we have adapted to generate income in different ways to support our general fund budget and deliver against our Corporate Priorities.

5.5 Recovery from the pandemic and re-opening of the town has meant the contribution of some of these initiatives are providing to the general fund may now be permanently lower than we had assumed in previous budgets. The budget monitoring report presented to Cabinet in October 2021 reported a forecast net overspend against the budget of £1,044,000 for 2021/22. The most significant variance from budget was from income generated from off-street car parking which is much lower than previous years as commuters move towards more of a hybrid working from home model.

5.6 The 2022/23 budget provides an opportunity to reset our baseline position against our Corporate Priorities and prepare a Medium Term Financial Strategy for 2022/23 and beyond which ensures we continue to be financially sustainable whilst continuing to support economic recovery and growth and our climate change ambitions for the town.

5.7 This budget also takes into account the recommendation made by Grant Thornton in the 2020/21 Audit Findings Report to review our Minimum Revenue Provision ("MRP") policy and a recent Government consultation which states that any future changes will not be applied retrospectively. The arrangements for 2021/22 and 2022/23 are being considered but it is not expected that any changes will impact on the delivery of services or savings in this budget.

5.8 In preparing this budget, the Cabinet and officers have considered the following:

- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven;
- Budgeted for pay inflation at 2% for 2022/23, with an additional 1% held in contingency;
- Budgeted for an increase in Members allowances in line with the assumptions on pay inflation outlined above;
- The provision of support and services to assist our communities, businesses and residents response and recover from the pandemic;
- An inflationary increase in sales, fees and charges where market conditions dictate;
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

5.9 The proposals within these budget papers aim to utilise our assets, skills and infrastructure to shape and improve public services and enable inclusive and environmentally sustainable economic growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to lead the recovery from Covid-19.

6. Re-setting for Green and Sustainable Recovery

6.1 Cheltenham Borough Council (CBC) was one of, if not the first council to publish a Recovery Strategy in 2020. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in a difficult position nationally and responding dynamically will be key to supporting the rest of the town to recover.

6.2 The Recovery Strategy is informed by existing corporate plans so aligns with the Council's established vision of place and longer term priorities. That the Council was able to take the Corporate Plan and adapt it to respond to the Covid-19 crisis shows organisational flexibility and the ability to re-orientate focus and resources in light of emerging situations.

6.3 The 2021/22 budget included a number of growth items as a direct response to the Recovery Strategy; providing revenue funding for climate change, economic recovery and the introduction of an apprenticeship programme. Additionally, in November 2020 Council committed £1.5m additional resources to the Golden Valley development to continue to work towards our vision to be the Cyber Capital of the UK.

6.4 The 2022/23 budget recognises that a green, sustainable and inclusive path to economic growth and recovery is not a strategy for the short term. Our long-term strategic commitments need long term financial planning.

6.5 This budget seeks to reduce our reliance on commercial income streams, which may not support our corporate priorities, and create a new baseline from which investment decisions can be made to support the recovery of our town from the most significant and wide reaching economic and healthcare crisis of a generation. Although we have not included any new growth items in the 2022/23 budget, we have looked differently on how we are utilising the resources at our disposal to increase the impact we can have to drive change and deliver on our Corporate Priorities.

Carbon neutrality

6.6 CBC's stated ambition to be net carbon zero by 2030 is a credible and commendable plan and in 2021/22 the Council invested in the creation of a permanent central team to monitor and manage the carbon reduction programme for the Borough as a whole.

6.7 One of the most significant achievements of this team to date was a successful bid to the Public Sector Decarbonisation Scheme (PSDS) for £382,600 of capital funding to support key projects. This capital budget now supplements the existing £350,000 of CBC funding already earmarked to support the implementation of the Climate Change Strategy in 2022/23.

6.8 The most uncertain financial pressure experienced in 2021/22 as we continue to monitor the recovery from the Covid-19 pandemic is the reduction in the income we are generating from our car parks. In 2019/20 we generated £4.388m from off-street car parking fees which was a significant contributor to the funding of our commitments.

6.9 Car parking activity has been closely monitored through 2021/22 as the national restrictions have been eased and there is a notable change in behaviour with fewer commuters travelling into the town during the week. In 2019/20 the average income generated each month from car parking was £370k which comfortably exceeded our budget target. At the date of this report, we are estimating in 2022/23 this will fall to £300k a month. Further uncertainty is also expected in the final quarter of the year with the emergence of the Omicron variant.

6.10 Although not a direct investment in carbon neutrality, the Cabinet feel a budgetary commitment to reducing reliance on vehicles which impacts on air quality and the environment of the town centre demonstrates the commitment to the climate emergency pledge made in 2019.

6.11 In addition to this, Cabinet have also included a new proposal in the capital programme for £75k to support a pilot scheme for electric vehicle (EV) off-street charging points. This proposal is a response to the Cabinet's commitment to improving air quality in the town and, together with the County Council provision of on-street EV charging points, responds to the increasing use of electric vehicles by visitors and residents of Cheltenham.

6.12 The decision by the Cabinet to re-align our budget to reduce our reliance on income from vehicles means a number of other efficiencies and income-generating activities need to be made to balance our budget. In considering these, the Cabinet have kept our net carbon zero target in the front of mind.

6.13 The following changes have been proposed to our base budget to re-align resources and deliver a budget which reflects our climate ambitions:

- Further commitment to use the investment fund from 2020/21 to finance initiatives which have a positive impact on the environment;
- A base budget re-set of car parking income budgets to reduce the Council's reliance on income generated from vehicles;
- The publication of a £10m climate investment strategy;
- A reduction in energy usage in Council owned buildings;
- A reduction in the allowances for using cars to promote greener modes of transport; and
- A realignment of recycling income and expenditure budgets to meet the increased demand.

Inclusive and Sustainable Economic Growth and Development

6.14 Despite the financial uncertainty caused by the pandemic over the last 18 months, the Council has continued to demonstrate its commitment to make Cheltenham a place where everyone can thrive. In the 2020/21 outturn report presented to Full Council in July 2021, we committed £250k to a Green Economic Recovery and Investment Fund.

6.15 It has been proposed that this funds work to improve the greening of the Clarence Fountain, the hosting of the Ice Rink in Imperial Gardens and to improve toilet provision in the town. These initiatives were identified to support the economic recovery of the town – stimulating the visitor economy and improving the environment for everyone to enjoy.

6.16 The Council has also continued with the procurement to find a development partner to realise its flagship ambition to make Cheltenham the Cyber Capital of the UK. Creating a national centre of excellence for the cyber sector and wider tech industries that will be an engine-room for long-term inclusive growth for Cheltenham. Council approval of £1.5m additional resource to the Golden Valley Development in November 2020 further cemented our commitment to this key priority.

6.17 In 2022, the Golden Valley campus and Innovation Centre was outlined as a priority in the Government's National Cyber Strategy with Cheltenham Borough Council's leadership in this development referenced directly. In order to continue to deliver this priority in 2022/23 a contribution of £488k has been identified to allow the contract with the development partner to be fully closed and agreed and outline planning applications to be submitted. This will be funded by additional forecast business rates growth and a contribution from the Business Rates Retention Reserve.

6.18 There were also two base budget increases approved in 2021/22 which also continue to support inclusive growth:

- Council approved the commitment of £75k to the base budget to fund a cohort of five apprentices who commenced employment in September 2021. These individuals have been recruited across different services and have begun their work based learning and qualifications.
- Council also approved a base budget increase of £75k to fund dedicated resource to encourage collaboration across sectors to ensure that culture, hospitality and creativity is interweaved into our economic recovery plans particularly in enhancing our cyber investment

plans, supporting the creative revitalisation of the High Street, and the imaginative use of our open spaces.

6.19 The recovery from the pandemic is certainly not complete and continues to be a key priority for the Cabinet. Our recovery strategy is focused on the revitalising and reshaping the economy and ensuring that future growth benefits all our communities. The Council aims to encourage collaboration across sectors to ensure that culture, hospitality and creativity is interweaved into our economic recovery plans particularly in enhancing our cyber investment plans, supporting the creative revitalisation of the town centre, and the imaginative use of our open spaces.

6.20 The opportunity to re-set our budget to meet the needs of the town post pandemic has identified a number of efficiencies and income generating activities which can support sustainable and inclusive growth and economic development.

6.21 The following changes have been proposed to our base budget to re-align resources and deliver a budget which benefits all our communities:

- A review of the current functions for Destination Marketing and Management to ensure we are driving maximum benefit for the town from our commercial and non-commercial partnerships; and

- A review of the resources which can be shared by the Council and Cheltenham Borough Homes to bring Council owned sites forward for development.

7. Treasury Management

7.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.

7.2 The Bank of England unexpectedly raised interest rates in December 2021, for the first time in three years amid growing concerns over inflation, despite the rapid spread of the coronavirus Omicron variant. The Monetary Policy Committee (MPC) voted by a majority of eight to one to raise rates from the historic low of 0.1% to 0.25%, judging that pressure on households from surging living costs outweighed the risks to the economy from the new variant. This has been followed by an additional 0.25% increase in February 2022 as energy prices continue to rise.

7.3 As at 30 September 2021, the Council held loans of £157.139m, a reduction since March 2021 by reducing the amount of temporary borrowing and using cash investments earning very little interest to fund capital spend.

7.4 This approach of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, reduces our risk of budgetary pressures caused by fluctuation in interest rates.

7.5 We also invest to generate returns which support the costs of discretionary services such as leisure and culture. It is critical to get the right balance between social, environmental and financial factors when assessing the investments we make. Full Council noted in November 2021 that our exposure to gas and oil investments currently stands at £280k.

7.6 This is part of the Schroder Income Fund and makes up 4% of the £7m we have invested in Pooled Funds. Given our current climate priorities, assurance was provided to Council that we are looking to take steps to ensure our investments are contributing to these goals.

7.7 We are committed in the longer term to divesting from oil and gas but need to balance these priorities with ensuring we are making the right financial decisions to safeguard our residents, businesses and communities.

7.8 We will continue to closely monitor the performance of this fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future. This will be covered in the 2022/23 Treasury Management Strategy, which will be published in March 2022.

7.9 Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Covid-19 and Brexit. Returns from traditional fixed term cash deposits are minimal so growth has been achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

8. Reserves

8.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.

8.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

8.3 A projection of the level of reserves to be held at 31 March 2022 and 31 March 2023 is detailed in Appendix 5.

9. Capital Programme

9.1 The proposed capital programme for the period 2021/22 to 2023/24 is at Appendix 6.

9.2 The strategy for the use of the Council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council to provide an earmarked contribution to public realm works within the Town Centre.

9.3 In setting the 2022/23 budget, the Cabinet have considered new proposals for electric vehicle charging points and public realm which align to the focus on green and sustainable economic investment in Cheltenham. These reflect the Cabinet's view that the Council are an enabler for economic recovery, making sustainable and financially secure investments to provide benefits for our businesses, residents and communities.

9.4 During the 2022/23 financial year, other projects and schemes may come to light which require investment by the Council. These proposals will be considered by the Cabinet and approval will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

10. Property Maintenance Programmes

10.1 The budget proposals include the 2022/23 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £487k to planned maintenance and a £110k revenue contribution to reactive repairs and maintenance.

11. Pay Policy Statement

11.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

11.2 The Pay Policy attached at Appendix 10 includes the following key requirements of the Localism Act 2011:

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

12. Reasons for recommendations

12.1 As outlined in the report.

13. Consultation and feedback

13.1 The formal budget consultation on the detailed interim budget proposals took place over the period 22 December 2021 to 26 January 2022. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience, predominately through its social media channels. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.

13.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 10 January 2022 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.

13.3 Formal meetings to discuss the budget were also held with C5 Parish Council's and the Voluntary and Community Sector (CVS). The response to public questions raised during the consultation are summarised in Appendix 12.

14. Supplementary Estimates

14.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2022/23 to be met from the General Reserve, the same level as in 2021/22.

15. Alternative budget proposals

15.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) and Head of Property, Finance and Assets to ensure that the purpose, output and source of funding of any proposed changes are properly captured.

15.2 It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

16. Final budget proposals and Council approval

16.1 The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.

16.2 If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.

16.3 An in-principle decision will automatically become effective five working days from the date of the Council's decision, unless the Leader informs the Executive Director Finance and Assets in writing within five working days that she objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.

16.4 In that case, another Council meeting will be called within seven working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

17. Performance management – monitoring and review

17.1 The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings.

17.2 There are regular Executive Team and service manager meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

17.3 The delivery of the savings proposals included in the final budget proposals, if approved by full Council, will be monitored by the Executive Team and Cabinet and will be reported to the Budget Scrutiny Working Group.

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Appendices	1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Savings / additional income 5. Projection of reserves 6. Capital programme 7. Programmed Maintenance programme 8. Flexible use of Capital Receipts Strategy 2022/23 9. Medium Term Financial Strategy (MTFS) 10. Pay Policy Statement 11. Budget Consultation
Background information	1. General Fund Revenue and Capital – Interim Budget Proposals 2022/23 (Cabinet 21 December 2021) 2. Budget Monitoring Report 2021/22 position as at December 2021 (Cabinet 15 February 2022)

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	3	15	Reduce	The budget strategy projection includes ‘targets’ for work streams to close the funding gap which aligns with the council’s corporate priorities.	Ongoing	ED Finance and Assets	01/09/2010
CR105	If the Budget Strategy (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council’s Medium Term Financial Strategy	ED Finance and Assets	01/04/2016	5	4	20	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2020/21 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	ED Finance and Assets	01/04/2016
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the	ED Finance and Assets	14/09/12	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	Ongoing	ED Finance and Assets	14/09/12

	loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							revenues retained by the Council. The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	15/12/10	4	4	16	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	15/12/10
1.07	If the assumptions around government support, business rates income, impact of changes to council tax	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing	Ongoing	ED Finance and Assets	13/12/10

	discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.							regime including responding to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
New corporate risk	If government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets		5	3	15	Reduce	The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic. Work programmes are underway to review service provision, capital programmes and rationalisation of assets.	Ongoing	ED Finance and Assets	To be added to the risk register

APPENDIX 2

STATEMENT OF THE SECTION 151 OFFICER UNDER THE REQUIREMENTS OF SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2022/2023

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Finance Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2022/23.

In making this report I have considered the risks arising from it, outlined below, and the Council's mitigating actions in arriving at my conclusions which, in summary are:

- Supplies and services and staffing budgets are sufficient to maintain services as planned.

- Budgeting assumptions for treasury management activity reflect the impact of sustained low interest rates and diversification of investments.

- The 2022/23 budget has provided an opportunity for the Council to reset its baseline position against its corporate priorities. The budget proposals take account of the changing behaviours in consumer demand and places less reliance from income in respect of off-street car parking charges. It is therefore my opinion that the approach to budgeting for income is prudent although it is imperative that monthly forecasting and analysis of key income streams are monitored throughout the financial year..

- The approach taken to using the New Homes Bonus to support the base revenue budget is prudent and is consistent with the Government's statement that Councils are free to spend the Bonus as they choose, including on front-line services and keeping council tax low.

- The proposal to increase council tax is required to ensure the viability of this Council in future years without having to make significant cuts to front-line services. The proposed increase in council tax for 2022/23 is within the referendum threshold, which allows shire district councils to increase council up to £5 based on a Band D property.

- The medium term financial planning assumptions, including future cuts in government support (aligned behind the government commitment to undertake a fair funding review, business rates baseline reset and an overhaul of the new homes bonus), are prudent. The continued development and revision of the budget strategy for closing the projected budget gap is providing a planned and measured approach to meeting future financial challenges.

- The approach to financing maintenance and ICT replacement is acceptable. Looking ahead, the need to model and prioritise future investment aspirations will become critical if the Council is to meet some of the targets within the Medium Term Financial Strategy (MTFS).

- The level of reserves, including General Balances, is satisfactory.

2. ROBUSTNESS OF ESTIMATES

Budget estimates are assessments of spending and income made at a point in time, based on service needs and known expenditure patterns. The statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.

In order to meet the requirement of assessing the robustness of estimates the Section 151 Officer will consider and rely upon the key processes that have been put in place:

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2022/2023;
- a medium term planning process that highlights priority services and risks;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Leadership Team and Service Managers of detailed budget and proposed savings and their achievability; and
- Finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

Notwithstanding these arrangements that are designed to test the budget throughout its various stages of development, considerable reliance is placed on Service Managers having proper arrangements in place to identify issues, project demand data, to consider value for money and efficiency and record key risks within their operational risk register.

The table below identifies assumptions made during the budget process and comments upon the risks and decisions taken when preparing the budget.

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures.	Service Managers are expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years. The £20 Universal Credit (UC) uplift ended on the 6 October 2021. To support those in work the UC “taper” was cut from 63% to 55%, so that instead of losing 63p of benefit for every £1 earned above the work allowance, the amount is reduced to 55p. Changes were also announced to the UC Work Allowance, which is the amount that people who are responsible for a child or have a limited capability for work, can claim before their UC payment is affected The impact on arrears will be closely monitored and the HRA budget proposals reflect an increased provision for bad debts of £15,000 in 2022/23.

Budget Assumption	Financial Standing and Management
2. The treatment of inflation and interest rates.	The following assumptions have been made in the preparation of the Medium Term Financial Strategy in respect of inflationary pressures: • Pay awards are modelled at 2% per annum from 2022/23 with an additional 1% per annum held in contingency. Members allowances have been budgeted to reflect the same assumptions as staff. • Employer's Superannuation contributions – agreed until 2023 through the latest triennial valuation and through agreement to pay the required secondary sum payments to the Local Government Pension Scheme (LGPS) as an up-front payment for the next 3 years future liability. Future uncertainty in the economy / fund performance may increase or decrease pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results support the current strategy which has ensured the Council is in a positive cash-flow position, resulting in an improved funding level. It is anticipated that we will receive the results of the next triennial revaluation in April 2022. • Contract inflation has been allowed for at the appropriate contractual rate. The Ubico contract sum now assumes changes in consumer behaviour (e.g. additional recycling material being presented at the kerbside) is business as usual. • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2022/23 provide for an inflationary increase where market conditions dictate. Car parking charges are frozen and a reduction in usage is factored into the 2022/23 budget proposals. Income from council tax and business rates appear to have recovered more favourably than that forecast 12 months ago. • Current Government rent policy is to permit rents to increase by a maximum of CPI (as at previous September) + 1% per annum for the next three years before a further review. The CPI for September 2021 was 3.1% thus allowing a rent increase for 2022/23 of 4.1%. • The treasury management strategy continues to diversify into pooled funds which will expose the Council to investments within property, bonds and equities. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of professional fund managers in return for a fee. These funds offer enhanced returns over the longer term, but are more volatile in the short-term but will allow the authority to diversify into asset classes other than cash. • The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Capital Strategy and Investment Strategy is reviewed annually to ensure security of public money. Our treasury advisors continue to advise the Council and Treasury Management Panel on policy. Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years. The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £1.5m at 31st March 2025.

Budget Assumption	Financial Standing and Management
3. Estimates of the level and timing of capital receipts.	Property services need to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough. Surplus assets and assets generating a low yield have been identified for disposal to realise c. £4m in capital receipts whilst also contributing to the stimulation of the local economy. A strategic review of our property portfolio has been undertaken to ensure that the council's assets make the maximum contribution possible to support the MTFS. In addition the revised Asset Management Strategy will be considered by Full Council on 21st February 2022. In November 2020, Full Council agreed its Covid-19 recovery budget alongside a revised Minimum Revenue Provision (MRP) policy and a flexible use of capital receipts strategy. The Council's MRP policy has come under some scrutiny over the last few months which is not unique to Cheltenham. The Government recently consulted on proposed changes to MRP guidance and legislation as they acknowledge current practices across the sector is supported with differing legal advice on interpretations of the existing Regulations. The Section 151 Officer submitted a response to the consultation before it closed on 8th February 2022 and attended a roundtable discussion with representatives from the Department for Levelling Up, Homes and Communities (DLUHC). DLUHC has made a clear indication that any changes to the regulations will come into force from 1st April 2023 and will only apply prospectively which is line with our current MRP policy and the projections forecast within the MTFS. Housing stock sales through Right to Buy (RTB) are estimated to be at 20 per annum. These receipts will be ring-fenced towards the supply of new housing. The Government has implemented changes to RTB policy in 2021 which supports the reinvestment of these receipts into the supply of additional social housing in Cheltenham. The deadline to use RTB receipts has been extended from three years to five years and these receipts can fund 40% of each new home instead of 30%. The use of RTB receipts continues to be closely monitored by Cheltenham Borough Homes to ensure they are retained for reinvestment in Cheltenham.
4. The treatment of efficiency savings/ productivity gains.	The majority of savings proposals for 2022/2023 are already in progress and no slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2022/23 although provision is made for slippage within working balances.

Budget Assumption	Financial Standing and Management
5. Government support.	The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support: • The estimates for 2022/23 are based on the final financial settlement notified by the Department for Levelling Up, Homes and Communities (DLUHC) on 9th February 2022. • The medium term financial projections assume a full business rates reset under the fair funding review, which will only allow for growth achieved in 2022/23 to be retained. It also assumes this Council will no longer receive any Revenue Support Grant (RSG) and that New Homes Bonus (NHB) will be phased out in its entirety by 2023/24. The Government are committed to releasing a consultation on a replacement scheme for NHB in the coming months ahead. • The budget requires £0.638m of New Homes Bonus (NHB) to support the revenue budget in 2022/23. The budget also requires £0.326m from other grants; Lower Tier Services Grant of £0.130m and Services Grant of £0.196m. In modelling the MTFS, coupled with a business rates reset, it is assumed that these grants will fall away over the coming years, albeit softened by a ‘damping’ payment in 2023/24. • The budget for 2022/23 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed 40% share under the 50% retention system. The medium term financial projections assume that a full reset will be implemented as part of the fair funding review. As in previous years, an earmarked reserve is maintained to help mitigate the risk of any future fluctuations. Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts. The Government has lifted HRA borrowing restrictions, abolishing the debt cap and left the level of borrowing to be controlled by the prudential code. This should allow a significant increase in the new build programme subject to the identification of appropriate sites and financial viability.

Budget Assumption	Financial Standing and Management
6. Proposed level of council tax.	When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of up to 2% or £5 in 2022/23). Council tax is the main source of locally-raised income for this authority and has previously been referred to by DLUHC as 'an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2021/22. The indicative grant levels for the period 2022/23 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year. CIPFA has published a financial resilience index and their recommended good practice is that this is referred to within the s25 report for 2022/23. One of the indicators is the council tax requirement as a ratio to net revenue expenditure. This indicator provides a measure of the relative importance of council tax and grants. A low ratio suggests higher dependency on grants which may suggest that a council may experience financial difficulties as grants diminish further. The ratio for this council in 2022/23 is 65.25% and is projected to rise over the duration of the MTFS which equates to this council having a diminishing dependency on grants. There has been an important shift in the Government's principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given the relevance of the indicator outlined above, I support a council tax increase of 2.28% (equivalent to a £5 increase on a Band D property) as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.

Budget Assumption	Financial Standing and Management
7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.	Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme. The 2022/23 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2022/23 to 2025/26. The Medium Term Financial Strategy outlines the strategy for closing the funding gap and includes efficiency savings and income targets rather than necessarily specific worked up projections of cost savings. The Council has traditionally provided 'one off' funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves. The Council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised. The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach has helped to refocus on delivering a sustainable MTFS. Developing strategies for regeneration and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS. As the Council moves into the next phase of delivery in its Golden Valley Development (GVD) it is critical that the Council commits adequate resources which are directed towards meeting its corporate priorities. Both the General Fund and the Housing Revenue Account, alongside external partners, have allowed for budget allocations in 2022/23 to ensure the GVD programme is adequately resourced both via a dedicated program team and through external advisors.
8. The authority's capacity to manage in-year budget pressures.	The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets. The recruitment of a dedicated Head of Finance (Deputy Section 1515 Officer) and the in-sourcing of the finance team has ensured additional resilience and performance to managing budgets effectively.
9. The strength of the financial information and reporting arrangements.	The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.
10. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	The Council's virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council's Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their range of services. Service overspends may be clawed back from future budgets.

Budget Assumption	Financial Standing and Management
11. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims.
12. The approach to financing the maintenance programme.	The Council has £487k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2022/23 and will be reviewed by the Asset Management Working Group on an annual basis.

Given consideration of the above factors and the detailed scrutiny of the budgets that has been undertaken this year I can give positive assurance on the robustness of the budget estimates. The greatest risk to this assurance is continuing changes to consumer behaviour following Covid-19.

3. ADEQUACY OF RESERVES AND BALANCES

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Within the statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves that should be held and to ensure that there are clear protocols for their establishment and use. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.

The CIPFA resilience index also has a number of indicators measuring reserves. The indicators suggest that compared to other district councils, both our earmarked reserves and our unallocated reserves (i.e. general balances) are in the lower quartile. Whilst this is useful information, it needs to be more qualitative, which is around whether reserves are being used in line with policy. There appears to be an assumption within these indicators that having high levels of reserves is a good measure which doesn't necessarily fit well with the equity perspective that Council's should not be sitting on high levels of reserves as this is being funded by local taxpayers that are not getting any benefit.

Reserves should not be held without a clear purpose. Should it be considered that the level (or proposed levels of reserves) is inadequate then a report must be made to Council outlining how this has arisen and what action should be taken to prevent a reoccurrence in subsequent years.

As part of the annual budget setting process and in reviewing the MTFS, the Council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to simply apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.750m and £1.500m. The alternative is a level based upon a risk assessment of the budget. In 2022/23 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures.
- Pension Fund changes.
- Planned savings measures.
- Interest rate variations.
- Volume variations on demand-led services such as planning fees, land charges, particularly in light of Covid-19.
- New services/initiatives including waste and recycling.
- The risk of litigation.
- Emergency planning.
- Financial guarantees.
- Grant income.
- Future budget projections.

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. The 2022/23 budget proposals assume a pay rise of 2% will be offered in 2022/23 in line with expectations across the whole Public Sector. The assumptions within the proposed budget also allow for a further contingency of 1% which negates the need to make a provision within the working balance to offset this risk. Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 2% on the 2022/23 General Fund contract value (excluding asset charges which are relatively stable) suggests a figure of £154,600 should be kept as a provision within the working balance.
2.	Pension Fund Changes	The 2019 triennial review has brought a degree of certainty to future pension costs for 2020-2023. These will not impact adversely on the Council in the next 12 months so no

	Area of Risk	Explanation
		specific provision is required at this point.
3.	Planned savings measures	The Savings Strategy identifies £3.532m of targets to be delivered across 2022/23 to 2025/26. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage are coded within the Savings Strategy. Currently the strategy notes £982,000 of work streams considered 'amber' for 2022/23 in terms of delivery and so 25% of these (i.e. £245,500) are accommodated within the working balance.
4.	Interest rate variations	The current low levels of investment rates suggest that there is little down-side risk at present on cash deposits. However, our existing strategy to use short-term borrowing to fund our capital program does present some up-side risk. Whilst the majority of the short-term borrowing is fixed to quarter 3 of 2022/23, and the Council has forecast Bank of England base rate to rise to 1%, there remains volatility due to rising inflation. A provision of £65,600 is therefore provided within the working balance.
5.	Volume variations demand led	During the economic downturn associated with Covid-19 the Council was extremely vulnerable to drops in key income streams, e.g. planning fees, car parking income, etc. The budget projections reflect a reset in some of these areas to align with changing consumer behaviours and to ensure the Council is less reliant on income from car parking charges. As such a provision amounting to £500,000 to reflect the volatility is recognised in the working balance. A number of earmarked reserves are also held specifically to deal with this volatility.
6.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £100,000 is retained which mirrors the budget provision for supplementary approvals. The council holds a separate earmarked reserve for planning appeals which is also available if required.
7.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000 which is provided for within the working balance; the cash flow impact would need to be handled from invested cash balances.
8.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.
9.	Grant income	A number of one-off grant streams are anticipated in the 2022/2023 budget but no assumptions have been made for their continuation across future financial years. No risks have been identified around existing grant flows that require specific provision in the working balance.
10.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is held. The council holds a separate earmarked reserve for Business Rates Retention which is also available if required.
11.	The Cheltenham Trust	A contingency provision of £100,000 is to be held in general balances for any unforeseen instances incurred by the Trust as they go through re-organisation and transformation post Covid-19.

The assumptions above total £1,485,700 suggesting that we strive to maintain a working balance around this figure during 2022/23. The Council should aim to not allow the working balance to fall below this figure. The current working balance is projected to be £1,502,529 at 31st March 2023.

EARMARKED RESERVES

In order to assess the adequacy of earmarked reserves when setting the budget, the Section 151 Officer should take account of the strategic, operational and financial risks facing the authority. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently recommended, although every effort should be made to increase the level of reserves held as a way of future-proofing against further funding reductions.

Whilst the majority of these reserves are held for specific purposes, there are three reserves which are available to help meet the cost of any changes as the Council meets the challenges of future funding reductions; these are:

	Balance projected at 31st March 2023 £
Budget Strategy (Support) Reserve	859,443
New Initiatives Reserve (Transformation)	156,623
Pension and Restructuring Reserve	504,360
	1,520,426

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years such as the one-off drop in business rates income due to the baseline re-set.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 5. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2022/2023. However, given the uncertainty surrounding the outcome of the Fair Funding Review and the Business Rates Retention reset proposed in 2022, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

3. CAPITAL HEALTH

The CIPFA Resilience Index highlights 2 particular indicators surrounding capital health:

- Interest Payable / Net Revenue Expenditure
- Gross External Debt

These measures only partially cover capital health as they are unable to analyse how these measures are factored in at a local level. Interest payable is more than covered by income received which have been backed up by prudent business cases when it comes to commercial property investments and regeneration projects. The Council has also approved a prudent Minimum Revenue Provision (MRP) Policy that ensures all debt is serviced and repaid over the life of an asset.

Whilst the gross external debt level may be perceived to be high in value, this indicator alone does not reflect the strength of the Council's Balance Sheet or indeed recognise the benefits of debt such as social value, wellbeing and financial return.

The 2020/21 statement of accounts, published in October 2021, reflect the following when analysing the Balance Sheet from the position as at 31st March 2020 to the position as at 31st March 2021:

- net assets have increased from £321.002m to £322.891m (a year on year increase of £1.889m);
- long term assets have increased from £536.125m to £563.572m (a year on year increase of £27.447m);
- long term borrowing has decreased from £115.293m to £113.835m (a year on year decrease of £1.458m);
- the asset to debt ratio is 0.45 as at 31st March 2021.

The asset to debt ratio is a measure of a company's financial risk. That is, it measures how much of a company's debts could be paid off by selling its assets in case of liquidation. If it is less than 0.5, the company's ratio is strong, because the company is easily able to service their debts if they have to. If the ratio is large, like over 0.5 or especially over 1, more of the expenses are being paid by borrowed money, which might indicate less stability. With an asset to debt ratio of 0.45, the council's ratio is therefore strong.

4. OVERALL CONCLUSION

There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposal includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFS without drawing on the General Reserve.

I am, therefore, satisfied that the proposed budget is balanced and meets the legal requirement to set a balanced budget.

My overall view is that the budget is a sound response to continuing challenging financial circumstances, which maintains services, maximises efficiencies and responds to anticipated future financial challenges.

In line with statutory duties, Members are asked to consider the advice provided in this report, based upon my assessment of the robustness of the overall budget and estimates in the medium term financial projections.

PAUL JONES
Executive Director Finance and Assets (Section 151 Officer)

NET GENERAL FUND FINAL BUDGET 2021/22 & 2022/23

GROUP **Projected cost of 'standstill' level of service**	**2021/22 ORIGINAL £**	**2021/22 REVISED £**	**2022/23 ORIGINAL £**
Chief Executives Directorate	1,651,279	1,650,879	1,749,279
Finance & Assets Directorate	8,599,928	7,875,746	8,787,114
People & Change Directorate	3,914,209	4,096,554	4,079,552
Place & Growth Directorate	6,122,430	6,985,599	7,105,516
	20,287,846	**20,608,777**	**21,721,460**
Capital Charges	(4,540,218)	(3,833,984)	(3,833,984)
Interest and Investment Income	(2,404,260)	(2,404,410)	(2,275,432)
Use of balances and reserves	(13,379,819)	(8,905,850)	(4,573,568)
Savings / Additional income identified - Appendix 5	(400,000)		(1,507,000)
Growth (self funding)	246,000		
Transfer to/from General Balances	543,573	(12,392)	302,143
NET BUDGET	**353,122**	**5,452,141**	**9,833,619**
Deduct:			
National Non-Domestic Rate	(2,608,539)	(2,368,559)	(457,416)
National Non-Domestic Rate - 2019/20 surplus / deficit	128,170	128,170	
National Non-Domestic Rate - 2020/21 surplus / deficit	13,966,426	13,966,426	361,769
National Non-Domestic Rate - 2021/22 surplus / deficit			4,903,766
National Non-Domestic Rates - S31 Grants	(1,417,489)	(6,756,488)	(3,889,118)
New Homes Bonus	(747,091)	(747,091)	(637,846)
LCTS S31 Grant	(163,000)	(163,000)	0
S31 Grants - Lower Tier Services Grant	(121,000)	(121,000)	(129,988)
Service Grant			(195,881)
Collection Fund Surplus/deficit Contribution	23,400	23,400	(58,500)
	9,060,877	**3,961,858**	**(103,214)**
NET SPEND FUNDED BY COUNCIL TAX	**9,413,999**	**9,413,999**	**9,730,405**
Band 'D' Tax	£219.08	£219.08	£224.08
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.28%
Gross Collectable Tax Base	43,404.60	43,404.60	43,862.42
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	42,970.60	42,970.60	43,423.80

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Appendix 4 - Budget Efficiencies and Savings

Description	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Delivery Risk
Cross Council Budget Efficiencies					
Re-alignment of resourcing with Corporate Priorities	175,000	-	-	-	Amber
Modernisation Programme Saving 2022/23	100,000	100,000	100,000	-	Green
Commercial income generation opportunities	50,000	50,000	50,000	-	Amber
Sub total	**325,000**	**150,000**	**150,000**	**-**	
People and Change					
Reduction in the Cheltenham Trust management fee	100,000	100,000	100,000	-	Green
Maximise opportunities to strengthen CBC-CBH partnership	300,000	-	-	-	Amber
Review of the commercial viability of pest control service	50,000	-	-	-	Green
Sub total	**450,000**	**100,000**	**100,000**	**-**	
Place and Growth					
Review of the trade waste service	120,000	-	-	-	Amber
Efficiency review of the Household Recycling Centre	87,000	-	-	-	Amber
Marketing and destination - service redesign	50,000	-	-	-	Green
North Place Development - increase in tax base			150,000		Amber
North West and West Cheltenham Development - Increase in Council Tax and NNDR	-	-	100,000	600,000	Amber
Sub total	**257,000**	**-**	**250,000**	**600,000**	
Finance and Assets					
Value for money review of our planned maintenance and reactive repairs contracts	125,000	-	-	-	Green
Existing Investment portfolio income generation	150,000	-	-	-	Amber
Energy usage review across asset portfolio	100,000	25,000	25,000	-	Amber
New Housing supply - mark-up on borrowing / equity	50,000	50,000	-	-	Green
Treasury Management activity	50,000	-	-	-	Green
Minister Exchange	-	25,000	50,000	50,000	Amber
Depot Rationalisation of the site	-	-	150,000	-	Red
Maximise opportunities from asset portfolio	-	100,000	100,000	100,000	Amber
Sub total	**475,000**	**200,000**	**325,000**	**150,000**	
Total	**1,507,000**	**450,000**	**825,000**	**750,000**	

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Appendix 5 - Reserves Statement 2021/22 2022/23

			1st April 2021 £	2021/22 Movement Revenue £	2021/22 Movement Capital £	Proposals to support 2021/22 Budget	31st March 2022 £	2022/23 Movement Revenue £	2022/23 Movement Capital £	31st March 2023 £
	EARMARKED RESERVES	**Purpose of Reserve**								
	Other									
RES002	Pension & Restructuring Reserve	To fund future reorganisational changes	(292,328)	37,968			(254,360)	(250,000)		(504,360)
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	(4,200)				(4,200)			(4,200)
RES006	Cultural Development Reserve	To fund future arts facilities/activity	0				0			0
RES008	House Survey Reserve	To fund cyclical housing stock condition surveys	(5,616)				(5,616)			(5,616)
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	(8,366)				(8,366)			(8,366)
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	0				0			0
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	(77,106)				(77,106)			(77,106)
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	(127,780)				(127,780)			(127,780)
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	0				0			0
RES020	Ubico Reserve	Replacement fund	(54,000)				(54,000)			(54,000)
RES022	Homelessness Reserve	To cover future homelessness prevention costs	(41,100)				(41,100)			(41,100)
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	(33,825)				(33,825)			(33,825)
RES024	New Initiatives reserve	To fund transformation programme	(336,623)				(336,623)		180,000	(156,623)
RES025	Budget Strategy (Support) Reserve	To support budget strategy	(227,411)	(293,000)			(520,411)	(339,032)		(859,443)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	To fund Social Housing Marketing Assessment work	(39,034)	(2,500)			(41,534)	(2,500)		(44,034)
RES028	Green Economic Recovery and Investment Funding Reserve		(250,000)				(250,000)			(250,000)
			(1,497,389)				**(1,754,921)**			**(2,166,453)**
	Repairs & Renewals Reserves									
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	(60,863)	12,172			(48,691)	12,172		(36,519)
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	(117,200)	(50,000)			(167,200)	(50,000)		(217,200)
RES206	Delta Place Reserve	maintenance fund	(474,792)	(100,000)	200,000		(374,792)	(100,000)	200,000	(274,792)
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	(809,670)	102,000			(707,670)	102,000		(605,670)
			(1,462,525)				**(1,298,353)**			**(1,134,181)**
	Equalisation Reserves									
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	(131,431)				(131,431)			(131,431)
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	(76,612)				(76,612)			(76,612)
RES105	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	(9,795)				(9,795)			(9,795)
RES106	Elections Equalisation	Fund cyclical cost of local elections	(249,687)	62,900			(186,787)	62,900		(123,887)
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	(269,341)				(269,341)			(269,341)
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	(14,770,745)	8,785,623			(5,985,122)	5,308,695		(676,427)
RES109	Cemetery income Equalisation reserve	Additional Crematoria income to 2nd chapel build scheme	(126,369)				(126,369)			(126,369)
RES110	HMO Licenses Equalisation	To fund fluctuations in income from HMO Licenses	0			(58,667)	(58,667)	29,333		(29,334)
			(15,633,980)				**(6,844,124)**			**(1,443,196)**
	Reserves for commitments									
RES301	Carry Forwards Reserve	Approved budget carry forwards	**(609,355)**	609,355			**0**			**0**
	CAPITAL									
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	**(143,403)**	(200,000)	50,000		**(293,403)**	(200,000)	200,000	**(293,403)**
	TOTAL EARMARKED RESERVES		**(19,346,652)**				**(10,190,801)**			**(5,037,233)**
	GENERAL FUND BALANCE									
B8000 - B8240	General Balance - RR	General balances	(1,212,778)	(543,574)		555,966	(1,200,386)	(302,143)		(1,502,529)
			(1,212,778)				**(1,200,386)**			**(1,502,529)**
	TOTAL GENERAL FUND RESERVES AND BALANCES		**(20,559,430)**	**8,420,944**	**250,000**	**497,299**	**(11,391,187)**	**4,271,425**	**580,000**	**(6,539,762)**

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Appendix 6 - The Capital Programme

Directorate / Scheme	Scheme Description	Revised Budget 2021/22 £	Forecast Outturn 2021/22 £	For the Final Budget Proposal Forecast Budget 2022/23 £	Forecast Budget 2023/24 £	Forecast Budget 2024/25 £	Forecast Budget 2025/26 £
FINANCE & ASSET MANAGEMENT							
Property Services							
Gloucestershire Airport Limited	Runway repairs	7,250,000	3,930,000	3,575,000	-	-	-
Minster Innovation Exchange	20,000 sq ft purpose-built commercial space adjacent to the Minster	4,338,906	5,325,445	-	-	-	-
Investment in regeneration and economic recovery	To investment in projects that will support the recovery of the town post pandemic	6,232,410	-	-	-	-	-
West Cheltenham development (Cyber Hub)	Infrastructure to support cyber hub	4,647,966	-	-	-	-	-
Electric Vehicle Charging Points		-	-	75,000	-	-	-
Smart Working Project	Municipal Offices ground and first floor refurbishment	270,000	-	-	-	-	-
Sandford Park toilets	Provide for new public toilet provision at Sandford Park. £150k	150,000	-	150,000	-	-	-
Clarence Fountain	Refurbishing the Clarence Fountain area in line with Green Economic Recovery and Investment strategy outlined in the 2020/21 outturn report.	-	95,000	-	-	-	-
Montpellier Toilets	To improve public toilet provision in the town.	-	-	100,000	-	-	-
Imperial Gardens Railing Restoration	The restoration of the Imperial Gardens Railing to be funded by external resources and project managed by CBC. £100k	100,000	50,000	50,000	-	-	-
		22,989,282	**9,400,445**	**3,950,000**	**-**	**-**	**-**
PEOPLE & CHANGE							
ICT							
Carbon Neutral agenda	Seed funding to deliver the actions needed, as outlined in the report to Full Council in October 2019, to facilitate the Council's ambition to become carbon neutral by 2030.	350,000	209,000	141,000	-	-	-
Public Sector Decarbonisation Scheme		382,600	382,600	-			
Digital Platform	Implementation and roll out of the new digital platform across the Council			180,000			
IT Infrastructure	5 year ICT infrastructure strategy	150,000	50,000	200,000	100,000	-	-
One Legal case management system	The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost	40,000	40,000	-		-	-
Leisure Trust							
Commercialisation opportunities within the Cheltenham Trust	Invest a sum of £1m to pump prime the commercial opportunities identified by The Cheltenham Trust (including investment which both sustains and grows income at the Town Hall);	777,000	375,000	400,000			
		1,699,600	**1,056,600**	**921,000**	**100,000**	**-**	**-**
PLACE & GROWTH							
In Cab Technology	The introduction of an In-Cab system would reduce the mileage required to be completed by Ubico, because it would guide the crew around their collection route and would largely eliminate mistakes. £200k	200,000	50,000	150,000	-	-	-
Crematorium Scheme - new chapels	Construction of new chapels	-	-	-	-	-	-
Crematorium Scheme - existing chapel	Redevelopment of existing chapel	285,000	20,000	265,000			
The Burrows Improvement Project	Forward funding for the Leckhampton playing field works.	866,000	584,000	282,000	-	-	-
Public Realm Investment - Grosvenor Street Car Park	Improving linkages to the High Street, signage and decoration.	115,500	-	115,500	-	-	-
CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	141,500	10,000	131,500	-	-	-
Public Realm Improvements - High Street Phase 2	Public Realm in the Strand / Cambray	424,914	12,000	412,914	-	-	-
Improvements to off-street car parking (£400k)	Additional capital funding for investment in infrastructure improvements to the Council's off- street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017. Funded from car parking earmarked reserve.	294,300	243,951	50,349	-	-	-
Changing Places	Two changing room accessable toilets in the town centre	42,185	-	42,185	-	-	-
Housing							
Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	500,000	500,000	500,000	500,000	500,000	500,000
H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	206,400	-	206,400	-	-	-
Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	18,400	18,400	18,400	18,400	18,400	18,400
Housing Delivery	Enabling the delivery of Private Rented Sector (PRS) Housing through Cheltenham Borough Homes	4,500,000	-	4,500,000	4,500,000	4,500,000	-
Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Homes and Communities Agency (HCA)	252,746	-	252,746		-	-
Parks and Gardens							
Clyde Scooter Skate Park	Developer Contributions	50,000		50,000	-	-	-
Play Area Enhancement	We are tendering one large playground improvement contract. Both will be committed this year, but paid for in next financial year.	146,300	22,500	123,800	-	-	-
Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	161,402	-	161,000	-	-	-
Replacement Parks & Gardens Vehicles	Replacement vehicles for parks and gardens	40,800	40,800	-	-	-	-
Waste & Recycling							
Vehicles and recycling equipment and receptacles	Replacement vehicles and recycling equipment	1,519,000	992,389	1,034,925	1,300,000	-	-
		9,764,447	**2,494,040**	**8,296,719**	**6,318,400**	**5,018,400**	**518,400**
TOTAL CAPITAL PROGRAMME		**34,453,329**	**12,951,085**	**13,167,719**	**6,418,400**	**5,018,400**	**518,400**

Funded by:						
General Fund Capital Receipts	1,808,616	2,015,640	3,069,988	1,300,000		
Capital Reserve	500,000	50,000	200,000	100,000		
Revenue Reserve		95,000	280,000			
Prudential Borrowing	26,151,282	5,925,000	8,075,000	4,500,000	4,500,000	
Partner Funding	1,008,185	634,000	50,000			
Capital Grant or Contribution	3,496,600	3,713,045	465,185			
Better Care Fund	621,600	518,400	724,800	518,400	518,400	518,400
s106 Funding	302,746	-	302,746			
Other Revenue Reserves	564,300					
Total	**34,453,329**	**12,951,085**	**13,167,719**	**6,418,400**	**5,018,400**	**518,400**

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Appendix 7 - Planned Maintenance Programme 2022-2023

Property Name	**Description**	**£**
All Properties (H&S)	Contingency fund for Compliance/ H&S remedial work (including Fire, Legionella & Asbestos remedials)	30,000
All Properties (H&S)	Top up for reactive	110,000
All Properties (H&S)	EPC Remedials	20,000
Bridges	Bridge inspection reports	10,000
Rec Centre	Sports hall flooring sand/ seal	15,000
Rec Centre	Replacement of 3 No. fire exit doors to sports hall	10,000
Rec Centre	Roof repairs over ground floor office area	20,000
PoW	Track repairs	10,000
PoW	Repairs/ alterations to roof covering to overcome ongoing water ingress	20,000
PoW	Annual high level lighting inspection plus works arising	10,000
PoW	Replacement of fire alarm panel	10,000
Central Depot	Remedial repairs arising from CCTV drainage survey	10,000
Central Depot	Remedial repairs to retaining wall following structural engineers report	10,000
Central Depot	Remedial works arising from fire alarm survey	10,000
Central Depot	Works arising from concrete floor survey to bulking shed	20,000
Central Depot	Ongoing repairs to service road	10,000
Central Depot	Ongoing roof repairs to various buildings	15,000
Brizen Pavillion	Roof covering replacement	20,000
Cemetery offices	Replacement windows	10,000
Cemetery offices	Flat roof replacement and coping stones	20,000
Cem Old Chapels	Repairs to stonework walls	10,000
Cem Old Chapels	Slipped roof tiles	10,000
Cem Old Chapels	Flat roof repairs	20,000
Cemetery grounds	New water main	20,000
Art Gallery and Museum	Renew cracked/ slipped slates and install fall arrest system	15,000
Art Gallery and Museum	Replacement boilers x 1	10,000
Art Gallery and Museum	Repairs arising from stonework surveys	10,000
Art Gallery and Museum	Repairs/ redecoration to basement windows	10,000
Art Gallery and Museum	Replacement chiller (HVAC)	10,000
Town Hall	Repairs arising from stonework surveys	10,000
Town Hall	Renew cracked/ slipped slates and install fall arrest system	20,000
Town Hall	Scagliola/ plasterwork survey & remedials	10,000
Pump Rooms	Sand/ seal floor	8,000
Pump Rooms	Repairs arising from stonework surveys	10,000
Pump Rooms	Repairs to dome	10,000
Royal Well toilets	Refurbishment/ replacement of wallgate unit	24,000
		£ 597,000

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Flexible use of Capital Receipts Strategy 2022/23

Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 through to 2019/20.

In December 2017 the Secretary of State announced that this flexibility would be extended for a further three years (until 2021-2022) and in February 2021 an addition extension of three years was announced. The latest extension focused on the use of capital receipts to fund transformation or other projects that produce long term savings or reduce the costs of service delivery.

The Guidance

The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specifies that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied (known as 'Qualifying Expenditure') should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or the demand for services in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

To make use of this flexibility, the Council is required to prepare a "Flexible use of capital receipts strategy" before the start of the year, to be approved by Full Council. This can form part of the budget report to Council. This Strategy therefore applies to the financial year 2022/23, which commences on 1 April 2022.

Examples of qualifying expenditure

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

The Council's 2022/23 Budget Proposal

The Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

The 2022/23 budget proposal presented to Full Council in February 2022 does not include any proposal to utilise the flexible use of capital receipts. However, if during the year projects are identified that satisfy the definition above these will be considered by Cabinet and approval for the use of capital receipts will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

The Council has determined that the Cyber Central (Golden Valley Development) initiative is a "Collaboration between local authorities and central government departments to free up land for economic use" and therefore meets the definition of a project that will generate qualifying expenditure.

The Council therefore intends to use the following use of capital receipts to fund the Cyber Central (Golden Valley Development) initiative and the savings generated by this project are set out in the table below:

Impact on Prudential Indicators

The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. Capital receipts which are allocated to fund the Council's capital programme have been allocated, will be monitored throughout the year and will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement which will be presented to Full Council in March 2022 for approval.

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Medium Term Financial Strategy

2022/23 to 2024/25

CHELTENHAM
BOROUGH COUNCIL

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1. Introduction

The Council's corporate plan 2019-2022 sets out five key priorities:

- Making Cheltenham the Cyber Capital of the UK: We will work toward making Cheltenham the Cyber Capital of the UK; a national first, which will deliver investment in homes, jobs, infrastructure and enable the Council to deliver inclusive growth for our communities.
- Continuing the revitalisation and improvement of our town centre and public spaces: delivering a number of wider public enhancements that will ensure the long-term viability of Cheltenham as a retail and cultural destination.
- Achieving a cleaner and greener sustainable environment in the town: delivering enhancements to our environmental services in response to the Council's commitment to the town and our authority becoming net carbon zero by 2030.
- Increasing the supply of housing and investing to build resilient communities: seeking new opportunities to bring in additional resources and leveraging more value from our assets to deliver our £180m housing investment plan.
- Delivering services to meet the needs of our communities: improving the way services and information are accessed by residents and businesses using new technology opportunities and different ways of working.

The Medium Term Financial Strategy ("MTFS") is the Council's key financial planning document for the General Fund budget. It sets out how the Council's priorities will be funded over the MTFS period and the financial pressures and risks which need to be mitigated in order to successfully deliver this. The diagram below shows how the MTFS is the overarching framework which supports all other financial strategies, plans, policies and decisions.

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Covid-19 has tested Cheltenham's communities and economy over the last twelve months. The Council have recognised that rebuilding the strength of our town will require innovation, ambition and a bold vision.

Our Council was one of, if not the first Council to publish a Recovery Strategy in 2020 which outlined a Local New Deal for Cheltenham. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in a difficult position nationally and responding dynamically will be key to supporting the rest of the town to recover.

The Recovery Strategy is informed by existing corporate plans so aligns with the Council's established vision of place and longer term priorities. That the Council was able to take the Corporate Plan and adapt it to respond to the Covid-19 crisis shows organisational flexibility and the ability to re-orientate focus and resources in light of emerging situations.

This MTFS is underpinned by the Council's corporate priorities and the belief that Cheltenham should be a place in which everyone can thrive. Specifically, the key principles guiding our approach to investing and financial planning for recovery include:

- ensuring our decision making and investment takes into account the ambition for making Cheltenham Carbon Neutral by 2030;
- achieving inclusive growth so all our communities can benefit and prosper from investments made in the borough;
- continuing to be commercially focused where needed to support the financial self-sufficiency of the Council; and
- providing strategic co-ordination across Cheltenham's agencies, partnerships and networks to drive social and economic recovery.

The Housing Revenue Account (HRA) is excluded from the MTFS, as a separate budget and Business Plan is produced for the HRA to cover its planning processes and the implications and arrangements for funding the objectives in the business plan.

Our Current Business Model

2022/23 - Gross Expenditure

£23.3 Million
DIRECTLY PROVIDED

Community Welfare & Safety
Economic Development,
Regeneration & Tourism Planning
Housing Enabling
Revenues & Benefits
Asset Management
Elections & Democratic processes
Bereavement Services
Car Parking
Strategy & Communications
Support Services

£13.2 Million
PROVIDED BY CONTRACTORS JOINTLY OWNED BY CBC

Waste & Recycling
Parks & Grass verges
Street Cleaning
Public Conveniences
Leisure & Culture
Housing Options
Finance & Procurement
Human Resources & Payroll
ICT & Telecommunications
Internal Audit & Fraud

£1.1 Million
SHARED WORKING

Legal Services
Building Control

£0.2 Million
JOINT WORKING

Joint Core Strategy
Development Task Force
Strategic Planning

Contents

The purpose of this document is to produce a robust and thoughtful MTFS which captures the growing needs and continuing aspirations of the Council after a period of prolonged public spending austerity as we continue on the journey of recovery from COVID-19 pandemic.

The following areas are considered and discussed:

2. National and Local Financial Risks

INTRODUCTION

The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding. The national restrictions which have been in place, across the country or locally here in Cheltenham, have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to financially impact Local Authority's across the country.

"The Council have faced unprecedented financial challenges over the last 18 months"

This section of the MTFS outlines the wider economic context in which this MTFS has been set as well as the national and local risks which have been considered in its development.

WIDER ECONOMY CONTEXT

As the economy leaves the worst effects of the pandemic behind, there is still significant uncertainty about the long term impact on growth, investment and inflation. The 2022/23 MTFS has been set based on a set off assumptions about the economic outlook for the next 18 months.

Inflation stands at 5.1% in January 2022, up from 4.2% in December 2021. This is the highest level in nearly 40 years. It is expected to remain elevated in 2022, and to peak at around 6.5% in April as the new regulated price cap on households' gas prices takes effect. As energy prices gradually stabilise and supply chains recover, the speed of the increase is expected to slow and approach the Bank of England's 2% target by the start of April 2023.

The Consumer Price Index also rose by 4.8% in the 12 months to December 2021, up from 4.6% in the 12 months to November which adds to the fiscal challenges facing households, businesses and public bodies.

The Bank of England unexpectedly raised interest rates in December 2021, for the first time in three years amid growing concerns over inflation, despite the rapid spread of the coronavirus Omicron variant. The Monetary Policy Committee (MPC) voted by a majority of eight to one to raise rates from the historic low of 0.1% to 0.25%, judging that pressure on households from surging living costs outweighed the risks to the economy from the new variant. This has been followed by an additional 0.25% increase in February 2022 as energy prices continue to rise. This represents a shift towards a significantly tighter monetary policy stance when considering the implications these rises will also have for the divestment of assets accumulated under quantitative easting.

From April 2022, the rate of National Insu ributions employers pay will increase by 1.25%, which also adds additional pressure to payroll costs.

> “Wider economic factors place unprecedented pressures on our budget at a time when we are already facing uncertainty”

These wider economic factors place unprecedented pressures on our budget at a time when we are already facing uncertainty around our funding and the long-term impact of the pandemic on our financial position. Not only do we need to ensure there is sufficient capacity to meet these direct costs for the Council, but we also need to meet the increased costs of our partnership contracts to maintain the sustainable delivery of key services.

NATIONAL RISK FACTORS

Uncertainty about future funding

The Local Government Settlement for 2022/23 received in December 2021 was expected to cover a three year period which would have provided more certainty to inform more strategic financial planning. However, the Government has provided only a one year Settlement with clear indication that funding formulas for 2023/24 and beyond will be reviewed.

The Council no longer receives Revenue Support Grant funding from the Government and have to rely on income generated in the Borough to fund services. The objective of the National Fair Funding Review (FFR) which is expected to conclude in 2022/23 is to review the underlying needs formula and distribution methodology used for assessing need and allocating funding to Local Government. The formula has not been reviewed since 2013 and will be closely linked with the principles in the Government’s Levelling up White Paper published in February 2022.

> “The Council no longer receives Revenue Support Grant funding from the Government”

The Department for Levelling Up, Communities and Housing are looking for a formula based model with common cost drivers such as population, accessibility and remoteness with the principles of being simple, transparent, contemporary, sustainable, robust and stable.

The intention is for each local authority to be set a new baseline funding allocation based on an assessment of relative needs and taking into account their relative resources. The timeline for its introduction is 1 April 2023 and the Government have committed to putting in place transitional arrangements to ‘smooth’ the impact, referred to as ‘damping’.

In assessing relative resources, the Government is working on the principles that there will be no redistribution of council tax or fees and charges between authorities and they do not intend to reward or penalise authorities for exercising local discretion. The Government therefore intends to use a notional council tax level rather than the actual council tax level, which will determine whether a council’s share of total need is higher than its share of taxbase.

The impact on our current MTFS is that from 2023/24 onwards we have been prudent in our assumptions on the funding available. It was confirmed in the 2021/22 Settlement that this would be the final year of the New Homes Bonus, the Lower Tier Services Grant and the one-off Services Grant provided to support recovery from the pandemic. We have assumed that no new additional funding will be available from 2023/24 to replace the current levels.

NATIONAL RISK FACTORS (continued)

Business Rates Retention

Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. The Retained Business Rates scheme places considerable financial risk on the Council in terms of fluctuating business rates and funding the costs of business rate appeals, which directly affect the income that the Council can recognise.

Alongside the FFR, the Government is planning to consult on how the new scheme post 2023 can continue to reward and incentivise growth, whilst mitigating the risk of appeals and longer term impact of Covid-19. The current thinking is to introduce a ‘floating’ tariff/top-up system which will result in a recalibration to take account of appeals.

> “The Government is planning to consult on how the new scheme post 2023 can continue to reward and incentivise growth”

Under the current system roughly £13bn per year of business rates income is kept by Central Government to fund local authority services. This is referred to as the “Central share” and is redistributed to councils in the form of Revenue Support Grant (RSG) and other grants. In future, if this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to local government. As a result local government will not initially have more funding; over the longer term this will depend on whether business rates grow faster or slower than local authority service demands and costs, and to add further complication will depend on where the revised business rates baseline is set for the council from 2023/24.

> “The future of Business Rates has been thrown into question as a result of the devastating impact on the retail, leisure and hospitality sector from Covid-19.”

The council’s business rates baseline is £2.841m whilst, as a result of ‘retained’ economic growth, £4.249m is now forecast to be generated and support the base budget in 2022/23. It is proposed that the new baseline will be set taking into consideration retained business rates income and this will be compared to the reassessed needs of the Borough resulting in either a top-up or tariff to manage the difference between the two. Clearly the future of Business Rates has been thrown into question as a result of the devastating impact on the retail, leisure and hospitality sector from Covid-19.

Growth will be calculated as business rates income in excess of the revised baseline and will continue to be shared with the upper tier authority; the split of which is yet to be determined and forms part of the current Government thinking on Business Rates Retention.

Whilst it is proposed that levies on growth will no longer exist under the new system (the cost of which had been mitigated through the establishment of the Gloucestershire Business Rates Pool) it is likely that some form of safety net will remain in place, and as a result councils will be subject to local volatilities within its own economy.

Council Tax

Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by £5 per annum or up to 1.99%, whichever is higher. Current projections post Covid-19 also assume growth in the taxbase of 0.80% per annum.

The assumptions were made by the Government when establishing the reduction in Revenue Support Grant linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.

> “The council will need to consider what levels of growth are likely and financially sustainable.”

Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or “trigger” points e.g. refuse / recycling collections. It is not expected in the four year MTFS presented here that this trigger point will be met but this will be subject to ongoing review as the West and North West Cheltenham developments progress.

Fees and Charges

A significant proportion of the council’s funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one which is within the council’s gift to control, subject to any legislative, economic or political constraints.

However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how resilience each income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising when circumstances change.

Local Risk Factors

Changes in customer behaviour

The national restrictions which have been in place, across the country or locally here in Cheltenham, have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy.

Changes to customer behaviour and the way our services are accessed has changed with no certainty as to whether this will be permanent or temporary and what this means for how we fund and operate our services. It also means we need to continue investing in technology, in particular the digital platform to meet the changing requirements of our residents and service users.

"We need to continue investing in technology"

Since its adoption in 2018 the key mechanism driving our response to funding challenges has been our commercial strategy. This has driven an innovative and enterprising mind-set and we have adapted to generate income in different ways to support our general fund budget and deliver against our Corporate Priorities.

Recovery from the pandemic and re-opening of the town has meant the contribution of some of these initiatives are providing to the general fund may now be permanently lower than we had assumed in previous budgets. The most significant variance from budget we are seeing is from income generated from off-street car parking which is much lower than previous years as commuters move towards more of a hybrid working from home model.

This strategy provides an opportunity to reset our income budgets against our Corporate Priorities and prepare an MTFS which ensures we continue to be financially sustainable whilst continuing to support economic recovery and growth and our climate change ambitions for the town.

Resources

Concerns around the council's capacity and resources available to deliver multiple competing priorities has been reviewed in 2021/22 and this is a key consideration for the Executive Leadership Team and Cabinet when considering the funding of the corporate priorities and the delivery of the proposed Savings Strategy. This will be addressed as part of the council's organisational review which will be implemented through 2022/23.

The objective of this review is consistent with the budget strategy approach to realign base budgets, identify opportunities to do things differently and make one-off budgetary provision to support the delivery of priority schemes being supported and delivered. This specifically relates to supporting sustainable and green economic recovery and growth in the town.

The key risk of not reviewing organisational capacity is that if resource is not deployed to allow focus on the schemes which are of financial importance to the council then the proposed Savings Strategy will not be delivered within the timescales required.

3. Projected Budget Gap

The MTFS develops a series of financial projections to determine the longer term financial implications, in order to deliver the Council's priorities. As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability which determines the funding gap. The package of measures required to equalise the two calculations forms the "Savings Strategy" identified in section 5.

Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to reviewing the prioritisation of our resources and identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has already made significant progress towards bridging the gap, having identified at this early stage potential efficiency savings which are moving into a delivery phase.

The projection of the funding gap is shown in Table 1 below:

Table 1: Projection of Funding Gap	**2021/22 £**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		353,122	9,833,619	15,163,125	14,824,375
IN YEAR BUDGET VARIATIONS					
Increased costs of existing services					
General Inflation		330,000	140,000	70,000	70,000
Employee and Members related expenditure		411,000	312,000	312,000	312,000
Shared Services contract inflation		87,133	19,250	19,250	19,250
Publica contract inflation		50,102	35,000	35,000	35,000
Ubico contract inflation		326,090	450,000	200,000	200,000
RE-PROFILING OF BASE BUDGET					
Reduction in income budgets to reflect post pandemic changes		522,661			
Re-basing expenditure budgets to reflect post pandemic changes		169,159	(515,500)		
Unachieved savings in 2021/22		200,000			
INCOME					
Green Waste		(100,000)	(25,000)	(25,000)	(25,000)
Fees and Charges		(153,883)	(75,000)	(75,000)	(75,000)
Other inflationary uplifts on re-charges to partners		(53,600)	(50,000)	(50,000)	(50,000)
CBH Contribution to Climate Change		(25,000)			
Cessation of COVID-19 funding		540,136			
Interest Payable and Receivable		118,878			
Minimum Revenue Provision			1,208,528		
Reserves					
Net Contribution from BRR Reserve		8,501,584	5,168,874		
Increase/(decrease) in net contribution to other reserves		63,237	(888,646)		
SAVINGS STRATEGY		**(1,507,000)**	**(450,000)**	**(825,000)**	**(750,000)**

Table 1: Projection of Funding Gap	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Projected Net Cost of Service	**353,122**	**9,833,619**	**15,163,125**	**14,824,375**	**14,560,625**
Business Rates	(2,608,539)	(457,416)	(3,639,000)	(3,697,000)	(3,754,000)
Damping			(860,000)		
NNDR S31 Grants	(1,417,489)	(3,889,118)			
National Non-Domestic Rate - 2019/20 surplus / deficit	128,170				
National Non-Domestic Rate - 2020/21 surplus / deficit	13,966,426	361,769			
National Non-Domestic Rate - 2021/22 surplus / deficit		4,903,766			
New Homes Bonus	(747,091)	(637,846)			
Collection Fund (surplus) / deficit contribution	23,400	(58,500)	(9,000)	(25,000)	(25,000)
Council tax income assuming council tax increases by £5 per annum from 2021/22	(9,413,999)	(9,730,405)	(10,027,702)	(10,328,499)	(10,632,796)
2022/23 Service Grant		(195,881)			
Lower Tier Services Grant	(121,000)	(129,988)			
LCTS S31 Grant	(163,000)				
Contribution from VRP			(402,423)	(273,876)	(48,829)
Contribution to / (from) Budget Strategy support reserve			(225,000)	(500,000)	(100,000)
Projected Funding	**(353,122)**	**(9,833,619)**	**(15,163,125)**	**(14,824,375)**	**(14,560,625)**

The projections above reflect a funding gap for the period 2023/24 to 2025/26 of £3.532m (i.e. the financial gap between what the Council needs to spend to maintain existing services and the funding available excluding the use of the Budget Strategy Support Reserve and contribution from Voluntary Revenue Provision). The key assumptions for the preparation of these projections are explained below.

The net costs of services have been estimated by using the approved 2021/22 base budget as the base for future projection’s though to 2025/26.

INFLATION

Inflation has historically been included in the MTFS at 2% on insurances, utilities, postage, IT maintenance agreements and non-domestic rates. However at the point in time this strategy was produced for 2022/23, inflation has increased to 5.1% in the 12 months to January 2022. The financial projections included in the MTFS include inflation for these costs at 5.1% for year one, decreasing gradually down to 2% in year three and four. Where information is available, major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.

The costs incurred in the general fund and re-charged to partner organisations have also been subject to the same inflationary increases.

CONTRACT COSTS

A number of services are delivered by or for the Council through service or shared service contracts. Where the cost of these contracts have been increased in 2022/23, this is to reflect inflation and wage increases. An additional contract cost has been included for One Legal to reflect the changes to the management structure and recruitment of a new Director of One Legal, a cost shared across all of the local authorities in the service.

A review of the staffing budgets in a number of shared services also identified that the budgeted pay increase for 2021/22 was less than the current indicative 1.75% national pay award. This means an additional contract cost to the Council in year one of this MTFS to cover any back dated uplift above that originally budgeted.

In addition, the cost of the council’s environmental services contract provided by Ubico has been reviewed to address under investment over a period of time and the contract sum for 2019/20 onwards increased significantly. The contract sum has now stabilised but an increase is expected in 2023/24 pending the triannual revaluation of the pension fund in 2022/23.

EMPLOYEE RELATED COSTS

For budget modelling, a 2% increase has been assumed throughout the duration of the MTFS post 2022 with a further 1% contingency included to bring the budget in line with expectations across the whole Public Sector.

The increase of 1.25 % in the employer's contribution to National Insurance on 1 April 2022 will have a net cost to the Council of £75k. As no announcement has been made by the Government on how long this increase is expected to be applied, this has been built into the base budget for the full MTFS period.

The Council is part of the Gloucestershire Pensions Fund, which is administered by Gloucestershire County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund based on the position as at 31 March 2019, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.

Contribution rates are calculated on an individual basis for each participating employer. For the Council's element of the fund, the funding level was assessed at 88% (compared with 65% in 2016), with a shortfall of £38.998m. The fund actuary is aiming for this deficit to be recovered over a 17 year period, giving the following target contribution rates for the Council for this three-year valuation period:

- a 20.0% future service rate which should cover the liabilities scheme members will build up in the future, plus
- an annual lump sum past service deficit contribution (£2.418m in 2022/23), to cover the shortfall in the Fund.

An increase of 2% with a 1% contingency per annum has been assumed on members' allowances, in line with the anticipated employee annual pay award. This inflation is included within staff costs and totals c. £12k per annum.

RE-PROFILING OF OUR BUDGETS POST PANDEMIC

As outlined in Section 2 above, the pandemic has changed the financial demands on the Council as well as the mechanisms for funding our services. The approach taken since the introduction of our commercial strategy in 2018 to maximise other sources of income to fund the delivery of our services has been hugely impacted by changes in customer behaviour.

As part of the development of this strategy, all forms of income have been reviewed to understand the impact of the pandemic and longer term changes such as increased working from home, particularly on off-street car parking and the trade waste services.

Conversely, the time residents are at home has actually increased the volumes of waste being produced and collected for recycling which subsequently increases the levels of income we are able to generate by selling it to support our general fund budget. The net loss of income across the Council is expected to be £523k in 2022/23 onwards.

Likewise, a similar exercise has been undertaken on our expenditure to re-profile existing budgets and recognise that there are some areas such as the significant decrease in housing benefit subsidy where new pressures need to be included. The objective of this exercise is to fully re-set the budget to better align to the demands of Council service post pandemic.

In addition to the £523k income pressure a net pressure of £169k has been identified within expenditure, creating a total "reset" cost of £692k in the base budget.

FEES AND CHARGES

In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. In 2021/22 the council opted for a fundamental year on year review of fees and charges.

The current inflationary pressures facing the council and the delivery of our services means that in 2022/23 our fees and charges will be subject to an inflationary uplift subject to legislative requirements and following review of competitive pricing structures.

RETAINED BUSINESS RATES

The Business Rates Retention Scheme was introduced on 1 April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rate yield is divided – 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.

In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the government levy from 50% to 15.32%. Any surpluses generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.

There is a high level of volatility in the business rates system, mainly due to the level and impact of appeals lodged against rateable values but also due to the natural turnover of businesses, properties being left empty or demolished and the increasing trend for commercial properties to be converted into domestic dwellings. This has been compounded by the impact of Covid-19. Changes to the value of businesses can have a significant impact upon the business rates collected. These factors make it difficult to predict the level of income the Council can retain in the future.

COUNCIL TAX

The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The council's taxbase is forecast to increase by 0.80% each year for the purposes of modelling the MTFS and a council tax increase of £5 per annum is assumed from 2022/23.

OTHER GOVERNMENT FUNDING SOURCES

In 2016/17, the government offered a guaranteed four year budget to every Council, which could demonstrate efficiency savings and 2019/20 represented the final year of the four year offer. The principles of that settlement allowed authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Since then, only one year settlements have been provided to Local Authorities which has made long term financial planning very difficult.

The Government funding included in the MTFS for 2022/23 include the following:

- An additional New Homes Bonus payment (Year 12, £407,267), on top of the final “legacy” payment of £230,579. This will be the final New Homes Bonus funding available to the council in its current form.

- A continuation of the Lower Tier Services Grant (LTSG) which ensures that no authority will have a reduction in Core Spending Power in 2022/23. Cheltenham will receive £129,988 in 2022/23. Again, this will be the final year we receive funding from this grant.

- A new one-off 2022/23 Services Grant has been created to fund general responsibilities. Cheltenham will receive £195,881 in 2022/23. Government have made it clear that this is a one-off grant in 2022/23 and will not be included in the baseline that is used for transitional support (damping) in 2023/24.

Ministers will be re-starting the local government funding reforms in the spring 2022. This means that the Fair Funding Review and business rates baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This increases the urgency of the re-alignment of our budgets to ensure any changes to our baseline funding for next year can be managed more effectively.

4. Reserves Strategy

INTRODUCTION

The Council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest. As a result, when funding has become available either through budget underspends or one-off funding, a strategy of utilising opportunities for improving and investing in the town has been followed.

Most recently in July 2020 the Council approved £250k from the reported underspend against the 2020/21 budget to Green and Sustainable Economic Recovery. This funding has been used to support the delivery of an Ice Rink in Imperial Gardens and to re-develop the Clarence Fountain area of the town centre to provide greater green space for residents and visitors to use.

"In July 2020 the Council approved £250k from the reported underspend against the 2020/21 budget to Green and Sustainable Economic Recovery"

However, in recognising the impact and uncertainty of the pandemic on the Council's short to medium term finances requires an alternative approach to be taken over the next few financial years to secure the long term delivery of our services. This approach enhances the Council's reserves to ensure it is able to meet any unforeseen costs in the future and mitigate known risks and forecast cost pressures, particularly those arising from changes in the way local government is financed post 2022/23.

BUDGET STRATEGY SUPPORT RESERVE (BSSR)

As part of the 2016/17 budget setting process, the Budget Strategy Support Reserve (BSSR) was established to provide greater resilience and time for the Council to embed its savings strategy and allow for slippage in savings delivery.

The BSSR will need to be suitably resourced to not only mitigate any delay in the delivery of savings but also be robust enough to support any reported slippage during the MTFS period and to ensure there is sufficient resources available to fund new or unforeseen costs. At 31 March 2023 it is forecast that the balance of the BSSR will be £839k after a further contribution of £339k is made in 2022/23.

The Savings Strategy detailed in Section 5, identifies a need to fund £0.825m from the Budget Strategy Support Reserve over the MTFS period.

BUSINESS RATES RETENTION RESERVE (BRRR)

The potential move to 75% locally driven funding following the introduction of 75% Business Rates Retention will build in an increased risk of volatility in the Council's financial planning. This needs to be appropriately managed and understood by the organisation as full reliance will be placed on the performance of the local economy with a drop in business rates income having the potential to force service re-prioritisation.

The BRRR should aim to be maintained to a target of £500k to allow for the potential reduction in income arising from the risks as identified. The Council is already mitigating fluctuations in income levels arising from changes in the local economy and moving forward will face even greater exposure to such volatilities under the reformed retention system post Covid-19.

Any Collection Fund and Pool surpluses over and above those assumed in the Savings Strategy are earmarked for the BRRR to ensure a base level of reserve is in place in advance of the implementation of 75% Business Rates Retention.

GENERAL BALANCES

General Balances are held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances. CIPFA's Local Authority Accounting Panel (LAAP) issued a guidance bulletin on local authorities' reserves and balances.

As part of the annual budget setting process and in reviewing the MTFS, the Council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

- A contingency to cushion the impact of unexpected events or emergencies

    - this also forms part of general reserves;

- A means of building up funds (earmarked reserves) to meet known or predicted requirements.

The Council has, over a number of years, earmarked significant funds for specific reserves. These are reviewed twice yearly by Full Council under the guidance of the Executive Director Finance and Assets (Section 151 Officer). Over the course of this MTFS, the value of earmarked reserves will be reduced as they are used to finance planned expenditure.

This has been balanced by making planned contributions to general balances in 2022/23 to bring the total amount held to £1.5m.

OUR SAVINGS STRATEGY

As detailed in the previous sections, the council has a significant funding gap to resolve as well as a number of financial risks to manage arising predominately from Covid-19. Given the ambitious nature of the council and its desire to ensure Cheltenham is a place where residents, businesses and visitors wish to work, visit and live the savings strategy for the medium term must reflect these aspirations and not jeopardise these core priorities whilst recognising that the net cost of the council's services must reduce over time.

In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts and driving sustainable economic growth– an immensely challenging task in the present climate.

AN OVERVIEW OF OUR APPROACH

The commercial strategy was adopted by Full Council in February 2018 with the vision:

> **"to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable".**

In the two years leading up to the COVID-19 pandemic, this strategy was extremely successful and was a key element of the Council's drive towards financial sustainability, identifying new opportunities to generate income and commit investment to projects which provide good financial returns.

As outlined in the local risks section above, income generated from a number of these commercial initiatives post pandemic is much lower than in 2019. This was first recognised in the recovery budget approved by Council in November 2020 in response to the financial impact of the COVID-19 pandemic. This budget included a strategy to fund the annual repayment of our borrowings using capital receipts. This then released £1.6m of revenue funding from the general fund to meet costs and income pressures not covered by Government compensation funding.

> "Income generated from a number of these commercial initiatives post pandemic is much lower than in 2019"

As we move into the 2022/23 budget strategy, the longer term impacts on our income and costs continue to be understood and there is still a significant amount of uncertainty surrounding the implications over the full four year MTFS period.

In addition to re-basing our income and expenditure to re-align our budgets to the changes in activity we are evidencing, in 2023/24 the annual repayment of our borrowing will also need to be re-introduced into the base budget.

It is with this in mind that the strategy to clo gap includes both base budget savings but also the use of the Budget Strategy Support Reserve and the release of Voluntary Revenue Provisions (VRP) which have been made against our borrowings since 2015. This then allows savings to be phased in over four years. Further information on VRP and the Reserves Strategy are included in Section 3 and 4 respectively.

The savings strategy indicates broadly how the Council may close the projected funding gap over the period 2022/23 to 2025/26. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive team autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs.

The funding and savings strategy to close the overall budget gap over the four years of the MTFS is outlined below:

	2022/23	2023/24	2024/25	2025/26	Total
Forecast Budget Gap	£1,507,000	£1,077,423	£1,598,876	£898,829	£5,082,128
Funded by:					
BSSR	-	(£225,000)	(£500,000)	(£100,000)	£825,000
Use of VRP	-	(£402,423)	(£273,876)	(£48,829)	£725,128
Base Budget Savings	(£1,507,000)	(£450,000)	(£825,000)	(£750,000)	£3,532,000

PLACE & GROWTH

One of the strengths of the Cheltenham economy is its diversity; it has a great number of different sized businesses across a wide range of sectors, with a notable concentration of cyber and digital businesses. Mixed with its rich cultural offer of historic buildings, world renowned festivals, parks and open spaces it is able to draw investment, talent and visitors, building on its strong community foundations. The place strategy is closely linked to the commercial strategy. Driving growth, increasing gross value added (GVA), investment into Cheltenham, encouraging businesses to thrive and improving employment opportunities; the town's economy will grow, as should the council's income through business rates and council tax, providing longer term financial sustainability.

Cheltenham is uniquely placed to continue its economic growth. The creation of a growth zone, as promoted in the Strategic Economic Plan (SEP), is to ensure the availability of quality employment land in proximity to the M5 motorway, attractive to businesses and with excellent connectivity throughout Gloucestershire and the rest of the UK. Cheltenham continues to develop its attraction and depth of offer as a destination, a place to do business and a place of innovation and excellence.

"Cheltenham continues to develop its attraction and depth of offer as a destination, a place to do business and a place of innovation and excellence"

The Golden Valley Development is a 200 hectare site adjacent to GCHQ in West Cheltenham. This will be the home of Cyber Central UK, the capital of cyber innovation, bringing together the brightest minds business, government and academia; spearheading the UK's mission to be a science superpower and global leader in cyber security. In 2022, the Golden Valley campus and Innovation Centre was outlined as a priority in the Government's Cyber Strategy with Cheltenham Borough Council's leadership in this development referenced directly.

Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. There are obvious constraints such as planning, which will need to be considered alongside the Joint Core Strategy and furthermore the proposed changes to the Business Rates Retention Scheme mean that it is currently unclear how growth would firstly be retained by, and secondly shared between upper and lower tier authorities. It is also important to consider the wider impact and economic significance that Cyber Central will have – attracting a wide range of international investors, start-ups and other businesses. It will be a great driver for regeneration and investment to the existing communities.

At the end of August 2019, the council completed the purchase of 112 acres (45 ha) of strategically important land which forms part of the West Cheltenham JCS allocation. This was the most expensive land purchase ever made by CBC. It will enable the delivery of the Cyber Central vision – which was formally launched on 17th September 2019 at Hub8 in Cheltenham.

"At the end of August 2019, the council completed the purchase of 112 acres (45 ha) of strategically important land"

The Council's £37.5m investment into this [illegible]le the rapid growth of the Cyber-Tech and other innovative industries as part of a thriving integrated community, a place where people can live, work and recreate. It is a significant step forward in achieving the Council's corporate plan priority of Cheltenham becoming the UK capital of cyber. Our Housing Investment Strategy commitment to deliver on the £180m investment in Housing across the Borough will play a leading role in shaping the residential aspect, working with Homes England and Cheltenham Borough Homes to create high quality homes that offer a range of tenures with security and affordability.

Another aspect of the Place Strategy is reimagining the town centre, working with key partners and our community in understanding the mix of uses that will position Cheltenham as a retail, cultural, business and leisure destination. We are in unprecedented times as the retail sector adjusts to changing customer patterns and behaviours, exacerbated by the access to retail by the Covid-19 pandemic. Our focus is on creating a liveable town centre with community at its heart, driving footfall and inward investment.

"We are in unprecedented times as the retail sector adjusts to changing customer patterns and behaviours"

PEOPLE & CHANGE

The people and change element of the budget strategy currently has three key areas of focus over the life of the savings plan:

- Savings following the creation of The Cheltenham Trust (TCT) which formed part of the original business case when the trust was created in 2014;
- Savings targets arising from transformation and modernisation of service delivery within the authority; and
- An increased contribution made to the general fund by increasing the commercial focus of non-statutory services such as pest control.

The Council wide modernisation programme has delivered cash savings towards its overall target, as set out in the MTFS, with further initiatives planned to generate additional savings over the next two years. Many opportunities for improving service delivery and operational efficiency have been identified via the Council's programme business process reviews.

The modernisation programme is also undertaking a comprehensive review of all ICT applications to ensure they are still meeting business requirements and providing value for money. This also provides an opportunity to commit to longer-term contracts and fix prices to give the Council certainty of costs. In 2022/23 the roll out of the new Digital Platform is expected to provide both financial savings whilst also improving the service provided to customers.

"The roll out of the new Digital Platform is expected to provide both financial savings whilst also improving the service provided to customers"

The Cheltenham Trust moved into surplus at the end of 2019/2020 following an increased in commercial income generation activities. The Trust has continued where it can to maximise commercial income with notable success such as the Heritage Café and the Garden Bar. The Trust is in the process of launching its revised five year business plan and will be working closely with the Council to ensure it continues to deliver value for customers as well as supporting work in our communities.

The review of our resources against the key priorities and re-setting of our budgets post pandemic has also identified opportunities to adopt the principles from our commercial strategy into other services not previously reviewed. Pest control in particular has been identified as a non-statutory service where taking a different approach can increase the contribution the service makes to our general fund resources.

FINANCE & ASSETS

The impact of the pandemic and current market conditions have refocussed CBC's Asset Management Strategy. Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support.

The Asset Management Strategy has been reviewed and revised and was presented to Council for approval in February 2022. The relationship between how we develop, grow and utilise our assets needs to be influenced by our ambition for Place, how we use our assets strategically and in the long term to achieve the outcomes we want to see for the town and also the wider county of Gloucestershire.

In addition to this, and in line with the Council's priority to be carbon net zero by 2030, a project is already underway to review energy provision and usage across our portfolio. The Council own a number of assets such as the Leisure Centre and the Municipal Offices which require significant amounts of energy to operate and work is ongoing to improve the oversight of both the financial and carbon impact of these.

In November 2020, the Cabinet and Council approved the Minster Innovation Exchange (MIE) project which received £3.114m of Government 'Getting Building Funding' and, coupled with Council and LEP funding, will deliver 'next generation' workspace for the young creative and cyber tech business community on an underutilised car park in the town centre. The building will provide workspace, training facilities (including a 'war room' for developing and testing cyber security systems); provide a permanent all year round presence and home for Cheltenham Festivals and include a new commercial 'state of the art' event space and café. The funding will also pay for public realm improvements to the neighbouring St Marys Minster churchyard resulting in a major regeneration scheme which will create a cultural and creative hub linked to the Wilson art gallery and museum in a run-down area of town which currently attracts significant anti-social behaviour.

The project is an innovative collaboration with a group of local private sector entrepreneurs badged as Workshop Cheltenham (WSC) with whom the Council is creating a Limited Liability Partnership (LLP). The Council's investment will also be on commercial basis and a profit sharing arrangement has been agreed between the Council and WSC which will see additional returns to the Council over the initial 10 years period of operating the MIE.

The MIE is seen as the catalyst for the wider Golden Valley Cyber development which aims to be the Cyber capital of the UK. MIE will provide incubator space for companies which may grow and migrate to Golden Valley and will support the development of the cyber ecosystem. MIE aims to be a key component in the drive to build drive up economic growth and help with the retention of young people and talent in the County.

Conclusion

INTRODUCTION

The Council has a track record of strong financial management but is now in a period of uncertainty at the same time as leading the towns continued recovery from the pandemic. The Council must plan now to ensure its financial position is protected across the medium term as changes to local government finances crystallise and the implications are known.

Both the Reserves and Savings Strategy should be followed in tandem, with Cabinet and the Executive Leadership Team leading the way with delivery to ensure financial stability and sustainability with the achievement of the council's vision for the future of Cheltenham.

The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth, regeneration and investment and the efficient utilisation of our assets. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits.

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Pay Policy Statement

For all employees at Cheltenham Borough Council
2022 - 2023

1. Purpose

1.1. This Pay Policy Statement (The Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually prior to the commencement of the new financial year.

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the pay of its workforce for the financial year 2022-2023, in particular: -

- the remuneration of its Chief Officers
- the remuneration of its lowest paid employees
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

2. Definitions

2.1. For the purpose of this Pay Policy Statement the following definitions will apply:

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1 April 2021 the Grade A band was £18,328 per annum, with only one pay point. This is in line with the Real Living Wage (at Nov 2020). New rate at Nov 2021 to be agreed at Budget Setting Council meeting (see paragraph 12).
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

At the time of publication of this policy statement no annual pay award has been agreed for 2021-2022.

3. Pay framework & remuneration levels

3.1. Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so. Flexibility to cope with various circumstances that may arise is retained by the use of market supplements. (See Market Forces Supplement section below) for individual categories of posts where appropriate.

4. Responsibility for decisions

4.1. The Council is a member of the local government employers association for national collective bargaining in respect of Chief Executives, Chief Officers, and all other employees.

Listed below are the separate negotiations and agreements in respect of each of these three groups.

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities

- All other employees – National Joint Council for local Government Services.

In addition to pay, the national agreements cover other terms and conditions such as:

- Pension
- Occupational sickness scheme
- Maternity scheme
- Overtime

5. Grading framework & salary grades

5.1. Grading framework

The Chief Executive and Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme).

All other employees have their basic pay determined by a different job evaluation scheme (the National Joint Council Job Evaluation scheme). Both schemes ensure that different jobs having the same value are paid at the same rate. The "job score" determines the pay grade for the job. With the exception of the Head of Paid Service who is on a spot salary grade (with no provision for incremental progression nor additional payment on completion of a period of service), all other pay grades have between two and seven incremental points.

Employees move up one incremental point per year. Annual increments within a pay band shall be payable until the maximum incremental point of the grade is reached subject to the line manager being satisfied that an employee has achieved a suitable standard of performance. Increments may be accelerated or withheld based upon outstanding or poor performance respectively.

Annual increments will be payable on 1 April each year to the maximum of the grade. Employees must have completed a minimum of six months service in their current post to qualify for an increment at 1 April.

For clarity, employees starting in their current post between 1 April and 1 October receive an increment, if applicable, the following April. Employees starting after 1 October and before 1 April receive an increment, if applicable, after six months in the post.

Job evaluation is carried out for all new roles, for roles where a substantial change of duty has occurred, or as required as a result of an equal pay audit. A fair and transparent process is in place for managing job evaluations, which includes Trade Union input, and moderation of evaluation outcomes to ensure consistency of application of the scheme. Equal pay audits are carried out as required.

5.2. Shared posts/lead employer

Where these are agreed and set in place, the costs of any role are appropriately apportioned and recharged via the employment/secondment/management agreement. Such roles, where the Council is the employer, are evaluated according to the Council's existing job evaluation scheme.

5.3. Salary grades

A full list of the Council's salary grades and associated spinal column pay points can be found in Annex A.
At the time of publication of this policy statement no annual pay award has been agreed for 2021-2022.

6. Electoral registration and returning officer

The scale of fees for this role is approved by the Gloucestershire Elections Fees Working Party for local elections, or the relevant scales of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums.
http://www.legislation.gov.uk

The fees constitute payments for separate employment and in most cases are eligible for superannuation purposes.

The fees are paid as part of the election account for each election and all costs, including employer superannuation costs, are recovered from the body responsible for the assembly to which candidates are being elected, or for which a poll or referendum is being carried out.

The Electoral Registration and Returning Officer for the Council is the Executive Director Finance and Assets.

7. Remuneration - level & element

7.1 Chief Officers - figures as at 01/4/2020 (See Annex B)

Chief Executive	Director Level Band 1	£112,246 - £122,936 p.a.
No employees currently	Director Level Band 2	£86,776 - £100,298 p.a.
Executive Directors	Director Level Band 3	£72,762 - £84,091 p.a.
Director	Director Level Band 4	£60,202 - £68,684 p.a.

7.2. Non Chief Officers

Employees	11 Grades A to K (see Annex A)

7.3. New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a higher salary point within the pay grade for the post may be considered by the recruiting manager. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range. These arrangements apply to all posts up to the level of Chief Officer.

In professions where there is a particular skills shortage, as a temporary arrangement, it may be necessary to consider a market supplement to attract high quality applicants. The level and duration of premium will be determined by reference to a combination of national comparators, local conditions, recruitments difficulties, inflation, and whether the post has recently been advertised and the process has been unsuccessful.

Guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large salary packages are offered in respect of new appointments. The guidance states a threshold of £100,000 should be set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any new appointment in excess of £100,000.

7.3. Lowest paid employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2021 the Grade A band was £18,328 per annum, with only one pay point, which is line with the Real Living Wage (see paragraph 12).

For pay comparison purposes the top of pay grade will always be used.

7.4. Relationship between remuneration of highest paid employee (Chief Officer) and lowest paid employee

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. In terms of overall remuneration packages the Council's policy is to differentiate by setting different levels of basic pay to reflect differences in responsibilities but with the exception of overtime payments not to differentiate on other allowances, benefits and payments it makes.

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1st April 2021 the current ratio of highest paid to lowest paid is 1:6. The ratio between the highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest paid employee (Top of current salary band Grade B)	£18,933
Mean paid employee (Average salary band of all employees up to & including Chief Officers)	£31,766
Median paid employee (Middle Salary band value of all employees up to & including Chief Officers)	£27,741
Highest paid employee	£122,936

7.5. Bonuses

The Council does not operate any bonus schemes for any chief officer or any other employee.

7.6. Performance related pay

Other than incremental progression through the pay grade of a post (see section 5.1) the Council does not operate performance related pay for any chief officer or any other employee.

7.7. Pay protection

The Council seeks to ensure that all employees receive equal pay for work of equal value. To be consistent with equal pay principles the council's protection arrangements will not create the potential for pay inequalities (e.g. open-ended protection).

There may be times when the grade for an individuals role changes for reasons unrelated to their performance e.g. restructures, In such cases the protection arrangements outlined will apply for 12 months from the date of the change.

7.8. Severance payments

The Council has a consistent method of calculating severance payments which it applies to all employees without differentiation. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

In line with the statutory redundancy payment scheme, the Council calculates redundancy severance payments using the following calculation. The calculation is based on an employee's age and length of continuous local government service (please note that employees must have a minimum of 2 years' continuous service to qualify for a redundancy payment) the multiplier for the number of weeks is then applied to the employee's actual weekly earnings.

The amount of redundancy pay will be calculated as:

- 0.5 week's pay for **each full year of service** where age at time of redundancy is less than 22 years of age
- 1.0 week's pay for each **full year of service** where age at time of redundancy is 22 years of age or above, but less than 41 years of age
- 1.5 weeks' pay for **each full year of service** where age at time of redundancy is 41+ years of age

The maximum number of years' service taken into account is 20. The maximum number of weeks' pay is 30 for anyone aged 61 years of age or older with 20 years or more service.

Guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large severance packages are offered and arrangements are finalised for employees leaving the organisation. The guidance states a threshold of £95,000 should be set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any severance packages (including salary paid in lieu, redundancy compensation, pension entitlements/costs, holiday pay, fees or allowances) offered by the authority in excess of £95,000. See below links:

Link to guidance https://www.local.gov.uk/reform-local-government-exit-payments
Link to legislation https://www.legislation.gov.uk/ukdsi/2020/9780348210170

7.9. Settlement agreements

In exceptional circumstances to avoid or settle a claim or potential dispute, the Council's Head of Paid Service may agree payment of a settlement sum on termination.

All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities. The level of payment will be taken on the individual merits of the case and with approval from the HR Manager/Head of HR and the Executive Director of Finance & Assets.

7.10. Pension - The Local Government Pension Scheme (LGPS) and policy with regard to the exercise of discretions

Pension provision is an important part of the remuneration package. All employees may join the LGPS. The LGPS is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the LGPS please visit the following web page:-

http://www.lgps.org.uk
For district councils in Gloucestershire, the LGPS is administered by Gloucestershire County Council. For information please visit the following web page:

http://www.gloucestershire.gov.uk
Neither the LGPS nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to all employees of the Council.

The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not normally enhance pension benefits for any of its employees (see the LGPS Statement of Policy/Discretions on the Council's website).This policy statement reaffirms this in respect all employees.

The LGPS provides for flexible retirement. The LGPS requires a minimum reduction in working hours and/or that there is a reduction in grade and that any consequential payments to the pension fund are recoverable within a set pay back period. (See section below)

7.11. Early/flexible retirements

The precise terms of the Council's policy are discretionary and may be varied unilaterally.

Subject to the criteria of the policy and service delivery needs being met, any employee over the age of 55 and who is a member of the Local Government Pension Scheme (LGPS) can request to either reduce their hours or take a job at a lower grade/rate of pay and gain access to their pension even though they have not retired.

It is the intention of the Council that this facility be used in order to provide employees with the opportunity to take a one-off step towards permanent retirement. Any agreed requests will be treated as a permanent change to an employee's contract of employment.

7.12. Honorarium payments

The Council has a responsibility to ensure equal pay for all employees and so the use of honoraria payments should be carefully considered, and be capable of justification. A payment can be made for the following reasons:-

- To recognise a *specific* contribution that an employee has made by making a single payment to him/her,

Or

- To recognise that an employee is temporarily undertaking some but not all the additional responsibility of a higher graded role for a continuous period of at least four weeks by making a regular monthly payment to them during that temporary period.

7.13. Acting up allowances

'Acting Up' is when an employee is authorised by their line manager to provide cover for a more highly graded post for an agreed period of time.

The payment ('acting up' allowance) is a temporary payment and will be made to the individual employee for covering the duties of the higher graded job for the agreed period of time. The policy applies to all employees. The supplement to be paid will be the difference between the employee's current salary and depending on experience up to the second scale point of the grade relating to the higher level post. The payment will cease on completion of the 'acting up' period and the employee's salary will revert to that which it would have been had 'acting up' not occurred.

7.14. Market forces supplement

The Council is committed to the principles of single status employment and seeks to ensure employees receive equal pay for work of equal value.

In some circumstances it is necessary to ensure the effective recruitment and retention of employees and to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job. Any market supplement must be provided for from within existing budgets and be objectively justifiable. The job evaluation determined grade for that post will not be changed. Market supplements will be paid as a temporary fixed allowance. The supplements will be reviewed bi–annually and consequently can be withdrawn, should the review demonstrate that current evidence does not justify a supplementary payment continuing. Should such a supplement continue to be paid for an extended period, e.g. several years or more, the need for continuation will be examined carefully during the annual review in order to ensure that such continuation continues to be objectively justifiable in the circumstances.

8. Reimbursement of expenses

8.1 Travel & subsistence

The Council will meet or reimburse authorised travel and subsistence costs for attendance at approved business meetings and training events. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager.

The Council pays the HMRC mileage rate of 45 pence per business mile.

The Council does not regard such costs as remuneration but as non-pay operational costs.

8.2 Disturbance allowance

All employees who incur additional costs arising from a compulsory change in their work place will be reimbursed in accordance with the Council's Disturbance Allowance policy. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager. The Council does not regard such costs as remuneration but as non-pay operational costs.

8.3. Relocation expenses

The Council operates a scheme of relocation allowances to assist new employees who need to move in order to take up an appointment with the Council. Relocation allowances are paid at the discretion of the Directors (or Appointment Committee for Chief Officers and above) where they think that it is essential to pay such allowances in order to attract the right candidate for the job.

The same policy applies to Chief Executive, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, short term rental etc up to the value of £8,000 (including VAT). An employee who leaves within 2 years of appointment will have to make a repayment of 1/24th for each month short of the 2 year period.

8.4. Professional fees & subscriptions

The Council meets the cost of one annual professional membership body fee or subscription where it is a statutory requirement for the role or it is directly aligned to the professional discipline of the role.

Where applicable, the Council also meets the cost of membership of SOLACE (Society of Local Authority Chief Executives).

9. Re-employment of former Council employees

With regards to re-employing former local government employees who have been made redundant, in line with LGA guidance **if there is less than a 4 week gap between the date the employee was made redundant from the Council/a body under the modification order and the date of joining/re-joining a Council the employee will be required to repay their redundancy payment to their previous employer as continuity of service will be protected and their employment classed as continuous.** If the gap is longer than 4 weeks the employee can retain their payment as continuity of service will have been broken and continuous service will not be protected.

10. The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011

The Council notes the discretion and confirms that it will not make use of this discretionary power.

11. Trade union recognition and facility time

The Council supports the system of collective bargaining and the principle of solving employee relations problems by discussion and agreement.
The Council recognises two trade unions for collective bargaining purposes. These are GMB and Unison. All parties recognise that it is vital to good employee relations for the workforce to be properly represented. Furthermore all parties believe that a truly representative and effective union will enhance workforce employee relations.

The Trade Union and Labour Relations (Consolidation) Act 1992 sections 168 and 170 make provision for employees to be given the right to take reasonable time off under various circumstances. Trade Union representatives engaged on recognised duties will be given reasonable paid time off during normal working hours to carry out functions related to their representational responsibilities. The table below contains the estimated amount of reasonable time permitted for TU activity/duties over a normal business year.

The Council does not have any full time trade union representatives in its employment.

*business year assumes TU reps each have 25 days annual leave. Calculation based on 47 weeks per year

Activity/duty	**Estimated hours per week**	**No of reps**	**Total estimated time per business year.***
Case management & advice to membership	Average 1 hours per week	2	94 hours
Training	Average 0.5 hours per week	2	47 hours
Health and Safety	Average of 1 hours per week	2	94 hours
Corporate meetings, TU meetings and prep time	Average 0.5 hours per week	2	47 hours
Estimated total hours			**282 hours**
Estimated average total hours per TU rep per week			**3 hours per week**

12. The Real Living Wage

The Council complies with all the statutory requirements of the National Minimum Wage and National Living Wage. The majority of the Council’s employees are on Grade C, point 5C, £10.01 and above which is higher than the statutory rates.

The Real Living Wage (RLW) as set by the Living Wage Foundation is not a legal requirement but a recommended hourly rate set independently and updated annually. The RLW is calculated by the Centre for Research in Social Policy whilst the London LW is calculated by the Greater London Authority and is based according to the basic cost of living in the UK.

Employers **can *choose* to** pay the RLW on a voluntary basis.

The Council has chosen to pay the RLW hourly rate to **all eligible employees** by way of an additional Living Wage Allowance. The Council will review its decision to pay the RLW annually at the Budget Setting Council meeting.

The Real Living Wage rates effective 1 November 2021 are:

- £9.90 (per hour) UK rate outside London
- £11.05 (per hour) UK rate for London

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working
- Long service award
- Enhanced leave – buy or sell up to an additional 5 days' leave.
- Training fees reimbursement (post entry training scheme)
- Employee welfare service
- Eye test voucher scheme

14. Publication and access to information

The publication of and access to information relating to remuneration of the Council's Chief Officers will be published annually on the Council's website.

Annex A

Cheltenham Borough Council

Updated April 2020 & Living Wage April 2021

New pay scales following pay award April 2020

Payroll SYSTEM SCP GRADE	Payroll GRADE	New NJC SCP	NEW 2020 Annual Salary April 2020	MONTHLY SALARY	WEEKLY Weekly RATE 37 hr week	HOURLY Hourly RATE 37 hr week	JE Points Score
LW	Living Wage		£18,328	£1,527.33	£351.50	9.50	0-294
1A	Grade A	1	£18,328	£1,527.33	£351.50	9.50	
2A	Grade A	2	£18,328	£1,527.33	£351.50	9.50	
3B	Grade B	3	£18,562	£1,546.83	£355.99	9.62	295-344
4B	Grade B	4	£18,933	£1,577.75	£363.10	9.81	
5C	Grade C	5	£19,312	£1,609.33	£370.37	10.01	345-394
6C	Grade C	6	£19,698	£1,641.50	£377.78	10.21	
7D	Grade D	7	£20,092	£1,674.33	£385.33	10.41	395-444
8D	Grade D	8	£20,493	£1,707.75	£393.02	10.62	
9D	Grade D	9	£20,903	£1,741.92	£400.89	10.83	
10D	Grade D	10	£21,322	£1,776.83	£408.92	11.05	
11D	Grade D	11	£21,748	£1,812.33	£417.09	11.27	
12E	Grade E	12	£22,183	£1,848.58	£425.43	11.50	445-494
13E	Grade E	13	£22,627	£1,885.58	£433.95	11.73	
14E	Grade E	14	£23,080	£1,923.33	£442.64	11.96	
15E	Grade E	15	£23,541	£1,961.75	£451.48	12.20	
16E	Grade E	16	£24,012	£2,001.00	£460.51	12.45	
17E	Grade E	17	£24,491	£2,040.92	£469.70	12.69	
18E	Grade E	18	£24,982	£2,081.83	£479.11	12.95	
19F	Grade F	19	£25,481	£2,123.42	£488.68	13.21	495-544
20F	Grade F	20	£25,991	£2,165.92	£498.47	13.47	
21F	Grade F	21	£26,511	£2,209.25	£508.44	13.74	
22F	Grade F	22	£27,041	£2,253.42	£518.60	14.02	
23F	Grade F	23	£27,741	£2,311.75	£532.03	14.38	
24G	Grade G	24	£28,672	£2,389.33	£549.88	14.86	545-594
25G	Grade G	25	£29,577	£2,464.75	£567.24	15.33	
26G	Grade G	26	£30,451	£2,537.58	£584.00	15.78	
27G	Grade G	27	£31,346	£2,612.17	£601.17	16.25	
812	Grade H		£32,027	£2,668.93	£614.23	16.60	595-644
813	Grade H		£33,270	£2,772.54	£638.07	17.24	
814	Grade H		£34,513	£2,876.06	£661.90	17.89	
815	Grade H		£35,751	£2,979.24	£685.64	18.53	
722	Grade I		£36,465	£3,038.75	£699.34	18.90	645-694

723	Grade I		£37,874	£3,156.14	£726.36	19.63	
724	Grade I		£39,300	£3,274.99	£753.71	20.37	
725	Grade I		£40,711	£3,392.55	£780.76	21.10	
632	Grade J		£41,363	£3,446.92	£793.28	21.44	695-744
633	Grade J		£43,103	£3,591.88	£826.64	22.34	
634	Grade J		£44,842	£3,736.85	£860.00	23.24	
635	Grade J		£46,592	£3,882.67	£893.56	24.15	
542	Grade K		£47,497	£3,958.10	£910.92	24.62	745 +
543	Grade K		£49,642	£4,136.80	£952.05	25.73	
544	Grade K		£51,774	£4,314.47	£992.94	26.84	
545	Grade K		£53,914	£4,492.83	£1,033.98	27.95	

Annex B

Cheltenham Borough Council
PEI Grades 4 to 1
(JNC Chief Officer conditions of service)
1st April 2020

SCP	GRADE DESCRIPTION	April 2020	MONTHLY SALARY	HOURLY RATE
454	Grade 4 - Director Level	£60,202	£5,016.85	£31.20
455	Grade 4 - Director Level	£63,022	£5,251.81	£32.67
456	Grade 4 - Director Level	£65,855	£5,487.88	£34.13
457	Grade 4 - Director Level	£68,684	£5,723.69	£35.60
364	Grade 3 – Director Level	£72,762	£6,063.53	£37.71
365	Grade 3 – Director Level	£76,534	£6,377.86	£39.67
366	Grade 3 – Director Level	£80,304	£6,692.02	£41.62
367	Grade 3 – Director Level	£84,091	£7,007.55	£43.59
274	Grade 2 – Director Level	£86,776	£7,231.37	£44.98
275	Grade 2 – Director Level	£91,276	£7,606.33	£47.31
276	Grade 2 – Director Level	£95,798	£7,983.16	£49.65
277	Grade 2 – Director Level	£100,298	£8,358.20	£51.99
279	CEO	£112,246	£9,353.85	£58.18
280	CEO	£116,522	£9,710.13	£60.40
281	CEO	£119,728	£9,977.37	£62.06
282	CEO	£122,936	£10,244.69	£63.72

For more information about this Statement and/or its content please contact the Publica HR Manager (acting on behalf of the Council) on

01242 264355 or email HR@cheltenham.gov.uk

Please note all HR policies refered to in this statement are available on request.

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Budget Consultation 2022/23 questions from members of the public

1.	Received 25 January 2022
1.	Many thanks for the opportunity to comment on the 2022-2023 budget. We recognise that whilst the majority of highways opportunities lie with Gloucestershire County Council, Cheltenham Borough Council does have an important part to play in creating a positive environment for cycling within the town through its strategic and spending priorities. We have as a committee reviewed the budget proposals and the detail of the capital spending plan to inform our response. • We commend the council for revising down the income it assumes it will receive from car parking so that it is less dependent on private motor vehicle trips. This will give the council more freedom to develop and deliver plans that change how people travel into the town centre, improving accessibility, congestion and the environment. We are encouraged to see this recognised in specific detail within the council strategy. • We look forward to the publication of the council's £10 million climate change strategy, and hope that the council recognises the opportunities that it has to enable cycling within this significant investment. • We are encouraged to see leadership from the council in decreasing the allowances it offers to its own staff who use private motor cars rather than greener modes of transport. We hope there will be opportunities for the campaign to support council staff wanting to discover the benefits of cycling in Cheltenham. • The budget still contains a significant amount of money allocated to car parking. Reflecting the council's ambition to change how people access retail and commercial centres, we would suggest now is the time to create a separate budget line for enhancing and increasing the amount of cycle parking in Cheltenham, particularly around local economic centres, to meet the rising demand. • With no parallel routes in development, the Honeybourne line looks set to remain a crucial link for active travel in the short to medium term for a large proportion of Cheltenham residents and workers. It is already over capacity, and there are growing maintenance challenges. Unlike the highway network, this off road link is the responsibility of Cheltenham Borough Council, and we believe that a separate budget line is now needed to ensure there is long term planning for its expansion and maintenance. • We also identify a number of other barriers for cycling access within land owned by Cheltenham Borough Council, maintenance challenges on a number of cycle routes through these areas, and gaps in the network that could be addressed through off-road routes on Cheltenham Borough Council land. We believe these merit prioritisation within the budget to ensure that Cheltenham takes the opportunities it does have to increase cycling locally, in parallel to highways improvements. • We note the Parks and Gardens service have £40,800 for new vehicles. We'd like to challenge you to consider investing in one less motor vehicle, and instead purchasing two cargo bikes with that money. They would have less environmental impact, particularly in embodied carbon, and would cause less damage to green spaces whilst giving flexible access to a wider range of areas.

	The Cheltenham & Tewkesbury Cycling Campaign is eager to work with Cheltenham Borough Council, and hope that there will be opportunities for our expertise and range of community voices to help you progress towards your greener transport ambitions in the coming year.
1.	**Response from Cabinet Member** Thank you very much for your response on the consultation and are encouraged by your comments on the approach we have taken to reduce our reliance on car parking income in the 2022/23 budget proposal. The Cheltenham & Tewkesbury Cycling Campaign is a fantastic local organisation and we look forward to working together with you to support our goal of Cheltenham becoming a carbon net zero Council and town by 2030. Our Climate Change Mitigation Pathway and Strategy will be presented for approval at Full Council on 21 February 2022 and this includes interventions which we propose to invest in between now and 2030 to deliver our climate goals. This includes a £10m Climate Investment Fund which will be put towards schemes that benefit the environment whilst generating a financial return for the Council. We are keen to engage with you as part of the development of these investment appraisals. A specific budget allocation was introduced into our base budget in 2021/22 to fund carbon reduction projects and a shift to active travel is included in this. In August 2021, the Council introduced a Cycle to Work scheme for staff. This is a salary sacrifice scheme to encourage staff to travel in a greener way whilst promoting fantastic health benefits. We will also be exploring engagement opportunities, such as bike repair workshops and cycling lessons for staff, to increase the uptake of the scheme and encourage more active commuting. We will then look to leverage the Cheltenham Zero partnership to encourage other businesses to follow suit, supporting where we can. Additionally, we are planning to undertake informal consultation with the cycle community in the Spring as we look to install cycle storage in and around the town. We are also pursuing the southern extension of the Honeybourne Line with GWR, National Rail and Gloucestershire County Council and hope that work will start in 2022/23. The financial pressures we are facing require a fresh approach to how we use our assets in the more effective way to deliver our key priorities, including our climate goals. Although the responsibility for Highways sits with Gloucestershire County Council we will be reviewing the carbon footprint of our assets as part of the revised Asset Management Strategy. The asset plans we will produce from this will consider how this can be reduced and whether an asset can make a more positive contribution to our climate priorities. We appreciate your alternative suggestion to replace one of the parks and gardens vehicles with cargo bikes. This is an interesting proposal and will be explored with Officers.